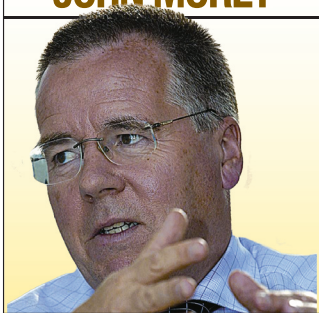


JOHN MORET



Remuneration should reflect level of advice

Recent surveys have confirmed what many of us already knew – that despite the adverse economic conditions and other uncertainties the Sipp market continues to grow – at over 20% per annum according to one survey.

The survey also confirmed Sipp's continue to be used as a consolidation vehicle – with the majority of Sipp's being funded by transfer values. I expect this trend to continue or even accelerate on the back of the parlous state of many defined benefit schemes, the growing number of poorly performing legacy pension products and the recent Budget proposals.

That won't exactly be music to the ears of the FSA who were critical of the quality of advice

on pension transfers in their thematic review conducted last year. In case you have forgotten they found that advice was unsuitable in one in six cases.

While there was no reference to commission bias in the FSA report I believe most of the issues encountered over the years in relation to pension transfers can be linked back to commission.

In their RDR Feedback Statement 08/6 the FSA confirmed they plan to consult in June 2009 on new rules to introduce adviser charging which will bring to an end the current commission model. However the rules may not be introduced until the end of 2012. In the context of pensions transfers I believe that delay is undesirable.

If we really want to ensure that adviser remuneration on transfers clearly reflects the advice involved and has no potential to influence the outcome, the FSA should ban all commission payments on transfer payments as soon as possible. I would also insist that any remuneration paid for ongoing advice is agreed at the time that the ongoing advice is given rather than at outset.

This would dramatically increase the likelihood of ongoing reviews taking place. In 26% of “unsuitable” transfer files reviewed by the FSA this had not happened.

John Moret is director of sales and marketing at Suffolk Life