

Maintaining the momentum for change

The role of the Treasury Committee in the
changing financial services industry

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Chairman, House of Commons Treasury Committee

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Role of the Treasury Select Committee

- TSC exists to “examine the expenditure, administration and policy of HM Treasury, HM Revenue and Customs, and associated public bodies, including the Bank of England and the Financial Services Authority”
- We are busier in the not-so-‘NICE’ times – some inquiries more planned than others!



The TSC's recent agenda

- Northern Rock and financial stability
 - Has dominated the TSC's agenda recently
 - TSC has been able to influence Government thinking on banking reform
- Retail financial services
 - We have not forgotten you!
 - TSC has been looking at financial inclusion, the FSA's Retail Distribution Review, and, most recently, inherited estates



The TSC's recent agenda

- Inherited estates of with-profits funds
 - TSC hopes to report on this within the month
 - TSC has looked at all aspects, including:
 - Appropriate uses to which the inherited estate should be put;
 - How policyholder interests are protected;
 - The role of with-profits committees; and
 - The process of reattribution



Savings products and IFAs

- TSC report, *Restoring confidence in long-term savings*, July 2004
- Report published 4 years ago, but conclusions continue to apply to the industry
- Lack of consumer confidence: deterrent to households from saving, with adverse long-term effects
- Savers will remain suspicious as long as selling activity is rewarded on a commission basis



Savings products and IFAs

- Fee structure: interests of industry and savers not aligned in fee structure re. performance of products
- Concerns over financial exclusion
- Transparency over fee structures is vital
- Trail commission: not in interests of consumers when there is no real ongoing advice
- Any programme of reform has to have the consumer as its central focus



Financial capability

- TSC report, *Financial inclusion: the roles of the Government and the FSA*, November 2006
- Link between promotion of financial capability and clearer marketing material for consumers
- 40% of those with an equity ISA not aware that its value would fluctuate with market performance!
- FSA should attach greater priority to this area
- Summary Box concept should be extended



Generic financial advice

- TSC report, *Financial inclusion: credit, savings, advice and insurance*, November 2006
- How should GFA be funded?
- GFA will benefit industry, through a better informed customer base, as well as customers themselves
- TSC recommended provision through a ‘partnership’ between public/private sectors
- Thoresen Review echoed this



FSA Retail Distribution Review

- TSC strongly supports the desired outcomes of the RDR, which match many of the concerns previously raised by the TSC:
 - More clarity for customers on products and services
 - A market that allows more consumers to have their needs addressed
 - Raising professional standards to inspire confidence
 - Remuneration arrangements that align incentives with customers' interests
 - An industry that treats customers fairly
 - A framework that does not inhibit future innovation



FSA Retail Distribution Review

- TSC has not yet undertaken work on the RDR; we will wait for conclusions in October
- However, in a personal capacity:
 - Encouraging: the interim report (April 2008) proposes a simpler advice system
 - Concerning: FSA still does not propose to replace or restrict the commission-based remuneration system – must find a way to ensure consumer confidence



Conclusion

- TSC wants to see a financial services industry that:
 - Is trusted by customers;
 - Caters for a broader section of the population than it currently does;
 - Acts in the interests of consumers; and
 - Is transparent.



Conclusion

- The industry must strive to make progress against these objectives and to re-establish trust – this has never been more important
- TSC will be keeping a close watch on this area and will ensure that momentum is maintained

