MoneyMarketing

FSA pondering commission cap

Regulation

By Sam Shaw in Dublin

The FSA says it is considering soft-capping commission as part of the retail distribution review.

At Burns-Anderson's annual conference in Dublin this week, FSA spokesman Alan Mason said capping initial commission has been put forward as a way to reduce bias.

Mason, who is part of the RDR team, said remuneration is the regulator's paramount concern but stressed that it is considering all options.

He said: "We have had suggestions from a number of people on how to tackle the remuneration issue. We are looking at a range of options, starting with capping commission. We have had suggestions that the cap could be a soft cap, so additional requirements would be put in place if the cap were to be exceeded. All these suggestions will be thrown in the pot."

He said issues such as market competitiveness also need to be considered but all the points have been heard and "will not be dismissed out of hand".

Aifa director general Chris Cummings said the FSA must back the RDR changes for at least 10 years to meet its aims.

He said: "The FSA has made a rod for its own back because the RDR, if it goes anywhere near the potential that has been presented, is a 10-year programme. Does it have the guts to see it through for the next 10 years because, if not, walk away now."

He said the RDR should have been called the retail manufacturing review as IFAs attracted just 12 per cent of consumer complaints last year.

'No merger for Bright Grey and ScotProv'

Protection

By Helen Pow

Royal London head of intermediary business John Deane has denied rumours that Bright Grey and Scottish Provident will merge if Pearl successfully acquires Resolution.

Bright Grey's parent Royal London will buy Scottish Provident from the Resolution deal is clinched.

Deane says speculation that the two protection brands will be merged is misguided and several companies operate multiple brands in a single market. He points to HBOS, which has savings accounts, loans and credit cards competing under different brands, as an example.

Deane says: "We aim to take a similar approach with Bright Grey and Scottish Provident as they are both strong brands with good propositions. My strategy for Scottish Provident, just like Bright Grey, will be for it to have its own customer proposition team which will be responsible for business success."

Several commentators say they believe the operations are too similar and keeping them independent is not feasible in the long term.

Highclere Financial Services partner Alan Lakey says: "Running the two side by side cannot be a permanent thing unless they can distinguish themselves."

PRODUCT MATTERS

Peter Chadborn

Aegon's 5 for Life plan brought the variable annuity concept to the UK when it was launched towards the end of 2006. It is actually a vehicle for investments, not pensions. Providers such as Hartford and MetLife have since come to market offering a similar concept for pension money.

The Aegon plan is aimed at the pre- or at-retirement market, where investors do not want to commit all their funds to inflexible annuities and are worried about the income uncertainties of an investment.

Aegon has just made a couple of additions to 5 for Life which are worthy of note. The first is a 10-year moneyback guarantee. This provides the certainty of knowing that after the 10th policy anniversary, investors are guaranteed their original investment, less income taken. The second is the ability to build a portfolio from a range of 50 funds. This is supported by an interactive online portfolio planning tool.

It would be easy to criticise the higher charges in this plan. However, it is not cheap to provide a guaranteed income for life and once you also consider the investment control, flexibility and access to capital, I believe the charges are appropriate.

Third-way products appear to be here to stay and it is good to see companies such as Aegon investing resources to improve their propositions, enabling advisers to offer alternative investment solutions to complement traditional ones.

Peter Chadborn is principal at CBK

Annuity rate could hinge on occupation

Annuities

By Nicola York

Occupation, wealth and even genetic testing could become key methods for determining annuity rates, says Hargreaves Lansdown head of pensions research Tom McPhail.

Legal & General recently introduced postcodes as an additional risk factor when quoting for annuities and McPhail says occupation could be next.

A report by the Office of National Statistics found that professionals typically live up to eight years longer than unskilled workers and McPhail says it is a matter of time before this information feeds into rates.

He says: "I cannot see that insurers will continue to ignore things like genetic testing and occupation. Someone will come in and take up this opportunity."

Knight predicts new wave of job losses

Mortgages

By Tanya Powley

Mortgage guru Stephen Knight believes a new round of redundancies will hit the industry as cost-cutting has not gone far enough.

Knight, who is executive chairman at Checkmate Mortgages, says: "The first wave of redundancies is never enough. Companies have got to leave it a while and then take another look at the business. My fear is there are more redundancies to come."

He predicts the market will stabilise after the first quarter reporting season next year, before beginning to recover in the second quarter and returning to normal in the third.

GMAC-RFC, Edeus, Kensington, Mortgages Plc, Advantage, Paragon and Wave have all announced redundancies as a result of the credit crunch.

Premier Mortgage Service managing director John Malone says: "Redundancies so far have been light and there will be many more to come. Stephen Knight is one of the shrewdest guys in the industry. The market has got to go through more pain. The next 12 months will see the industry face the most difficult circumstances."

PPF hit by allegations of overcharging

By Nicola York

Aon Consulting has accused the Pension Protection Fund of overcharging companies by millions of pounds through levy payments.

Aon says the PPF has overruled appeals that were deemed successful and is now "systematically" overcharging firms.

The consultancy says it has learned that a number of companies with big pension deficits have been sent letters by the PPF in the past few days saying it is overruling dozens of appeals against levies which had been approved by its appointed adviser, Dun & Bradstreet.

The appeals were won on the basis that how schemes were rated for levy purposes was devised when deficits were not shown on balance sheets and this should not continue now they are shown on balance sheets. D&B agreed to advise the PPF of new insolvency scores.

Principal & actuary Paul McGlone says: "The PPF has effectively misled these companies about their levy and denied them the opportunity to consider other actions to reduce it."

PPF spokesman Richard Hunt says: "Our initial advice to Dun & Bradstreet to discount certain figures when working out the insolvency scores was wrong. After taking legal advice, we have rectified the mistake and said these figures will have to be taken into account. Only 41 schemes were affected out of 7,800 and none of these schemes have received invoices based on the wrong scores."