Money Marketing vulnerable consumers round table in Parliament

FSA urged to escalate fines

By Leah Milner

The FSA needs to ramp up fines for companies that treat customers unfairly, says consumer champion Mick McAteer.

Speaking at the Money Marketing round table on vulnerable consumers, McAteer, who is director of the Financial Inclusion Centre, said that FSA fines had to dent firms' finances in order for the City to put pressure on directors on issues such as treating customers fairly.

McAteer, a former policy advisor for Which?, said: "There have been a whole host of directors who have had to resign as a result of disappointing shareholders but I am not aware of a single director of a major financial services firm that has had to resign as a result of misselling or misleading consumers.

"Analysts in the City will not put pressure on the boards of financial services companies to treat customers fairly unless they realise that the FSA will hit their bottom line."

McAteer called the level of FSA fines "paltry" compared with those issued by the Competition Commission, which ican charge 30 per cent of a firm's annual turnover for breaches of competition rules.

Labour MP for Edmonton and Treasury select committee member Andy Love said: "Which? has talked about greater penalties, mystery shopping and other ways of ensuring consumers are protected if you are to lift the regulatory burden and these steps, on the surface, sound quite sensible to me."

Prudential managing director of UK life and pensions Gary Shaugnessy said: "I would be positive about taking a stronger position with firms which cross the line but I think the regulator needs to offer more guidance to those who go to it for advice."

McAteer: 'Hit the bottom line'

Love: 'Steps sound quite sensible'

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Churning created vulnerable class

By Leah Milner

Bankhall chief executive Peter Mann believes the culture of churning inappropriate products has created a class of vulnerable consumers.

At the round table debate, Mann suggested the industry had to carry some of the blame due to poor advice and inappropriate products sold in the past. He said: "We created a culture of reward for unnecessary disturbance. Many people had products that would have been useful if they had kept them for a greater period of time rather than churning."

Aegon UK chief executive Otto Thoresen said: "There was a vicious circle of behaviour that was not as good as it should have been, leading to increased regulatory red tape, leading to increased costs, leading to a migration towards people with discretionary assets rather than the basics of what we used to do."

Heron House Financial Management managing director Saran Allott-Davey considered that changes in legislation have been detrimental by creating uncertainty.

She said: "People have been guided in a certain direction but, with hindsight, they might have been better off taking a different course of action. Without the luxury of knowing that a framework will exist for the long term, it puts people off planning ahead."

Mann: 'We created a culture of reward for unnecessary disturbance'

Allott-Davey: Critical of uncertainty from legislation changes

Regulator in bunker on non-toxic sales

By Leah Milner

Scaled-back regulation for non-toxic product advice is unlikely to be accepted by the FSA due to its "bunker mentality", warns Labour MP Andy Love.

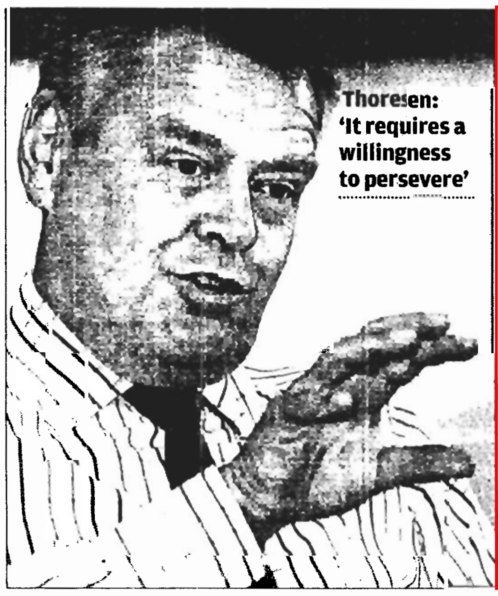
Panel members were asked to consider if it would be possible to introduce a form of "non-toxic" insurance and savings products subject to lighter-touch regulation to help vulnerable consumers.

But Love said: "There is already a quite significant bunker mentality developing at the FSA over recent difficulties, some of which it has taken on the chin. Combine that with the fact the slowdown is undoubtedly going to throw up real difficulties that the FSA is going to be in line to take some responsibility for and some of the things suggested, which are highly laudable, are unlikely to meet with a positive response from the FSA."

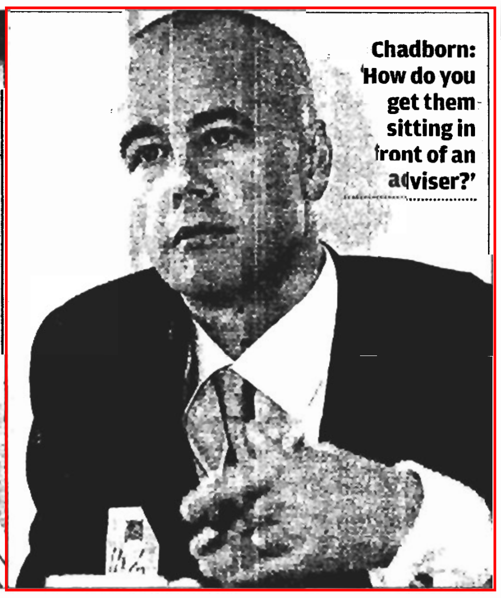
Bankhall chief executive Peter Mann said: "It was tried in the early stages of the RDR and fell on the sword of the Financial Ombudsman Service. Trying to get the FOS to agree there is a type of product that is sufficiently non-toxic to avoid retrospective regulatory action was quite difficult."

Aegon UK chief executive Otto Thoresen said: "I do not think we should give up on this but it requires a willingness to persevere through some of the criticism that is likely to come in the early stages."

CBK principal Peter Chadborn said: "One of the difficulties in addressing the needs of vulnerable consumers is how do you get them sitting in front of an adviser. With protection, there is not much consumer awareness of the need for the product."



Thoresen: 'It requires a willingness to persevere'



Chadborn: 'How do you get them sitting in front of an adviser?'

Public mystified by disclosure details, says Pru's life chief

Shaughnessy: 'It detracts from the information that is important'

By Leah Milner

Disclosure documents designed to protect consumers often leave them more confused, Prudential managing director of UK life and pensions Gary Shaughnessy has claimed.

He said Pru's research found that much of what it is obliged to state in its literature to comply with regulation does not help consumers understand products better.

He said: "Most of the things we are required to put into communications by regulation, consumers find completely mystifying. It detracts from the information that is important. Communications should be based on outcomes from consumer research rather than lines you can point to and say, well, we did tell them."

Financial Inclusion Centre director Mick McAteer believes the key facts about a product should be limited to a two-page document.

He said: "Information disclosure on its own or done badly can hinder effective decision making and add to regulatory costs.

"I have a theory that countless pages of documentation actually protects the rogues by giving them something to hide behind. It does not matter what you have in the small print, it is what the man on the street understands by reading the document."