

## No Advice, No Protection and our views on the campaign – Money Marketing – January 2006

**No Advice, No Protection**, it's a memorable title for a campaign, but will it impress those who really matter and is it really the right campaign, given all the industry's ills at this time?

For my part I would rather see industry efforts focused in other areas, like developing new products and underwriting processes so that our buying and application processes meet our customers' reasonable expectations, as on the whole they do not today.

Don't get me wrong I am a big believer in the benefits of good advice and as a business we support many companies operating in the advice arena. However we also have the benefit of working with a number of non-advised services and therefore I can see that these businesses are not 'evil' or 'wrong doing' as some would suggest, neither are they taking advantage of ignorant consumers, quite the opposite in fact.

The No Advice, No Protection strap-line holds two meanings. For consumers the suggestion is that if you haven't taken advice then you do not have protection, for business it implies that without giving advice you should not be allowed to sell protection products, at least not without issuing simultaneous messages of dire consequences when not taking advice. In my opinion the first is flawed as it ignores the facts and the second seeks to limit consumer choice, which isn't sustainable.

Buyers through non-advised services do have a high degree of protection from both the FSA and ultimately the FOS and all buyers, whether advised or non-advised, are issued with an IDD up front, so they know who and what they are dealing with. As far as I can tell the only protection non-advised buyers are without is against poor advice, and on the basis they haven't received any advice it can't have been poor or mis-leading so there is nothing to be protected from. Of course the advocates of the campaign argue that consumers are ignorant and are somehow being misled by non-advice businesses with the alleged outcome of such non-advice being that customers won't get their claims met, and the industry will be dragged through the mud. Have you read Money Mail recently? It is already happening and none of the complainants bought on a non-advised basis.

It would also be quite misleading to suggest that all buyers through non-advised services have not received advice. It could well be that a customer receives advice from Company A yet chooses to transact through Company B, in which case I assume that Company A remains liable for the advice despite having not secured the income. This then is a real problem for advisers, but it is nothing new and the discounting, that allegedly drives such behaviour, has never been an activity restricted solely to non-advisory businesses. Advisers have been winning business from each other by discounting for years. Fortunately, in our market, most discounted price differentials are very small – a few pence - and can therefore be easily overcome by advisers offering the right price for the right product with good advice and the right service, just like they always have.

These current sales and distribution issues are not unique to Financial Services, just look at the 'bricks and click' price differentials offered by the likes of Comet and others. All of which points to businesses reshaping to take advantage of consumer behaviour, rather than driving it.

Finally, for a campaign to be successful it needs to be based on common sense and the needs of the majority, in particular customers. I say let's get on with fixing the bits of the industry that really need fixing and put our efforts into developing 21<sup>st</sup> century products and services for our 21<sup>st</sup> century clients and stop pandering to the temporary commercial interests of a few.

Consumer power and the internet are here to stay and I for one would advocate an 'adapt and thrive' mentality over 'stagnate and die'.

By Richard Verdin, Sales & Marketing Director, Direct Life & Pension Services Ltd