

Protection – Who is protecting us? – Money Marketing – March 2005

In the past I have written about the possible outcomes of statutory regulation for those selling protection products, and I am not the only one, yet from the many advisers who I speak to, I sense the majority are focused only on the short term effects of simply meeting the required pre-sale and sale processes, in the belief that if they get these right then everything will be OK.

Having thought long and hard about this approach I am not convinced that it will serve advisers well in the longer term. My concern is based on the experiences of the many that have, during the last 10 years, adopted such an approach and have still found themselves on the wrong side of an Ombudsman who has taken a slightly longer view of advice outcomes in order to judge past practices.

Of course we can not reasonably be expected to accurately second-guess the future perspective of an Ombudsman who we are all still struggling to understand today. Nonetheless we owe it to ourselves to try, to look to the longer term play on current popular practices, to see if we can identify the risks which we would otherwise not have considered, and then adapt what we do today to somehow future-proof the services we provide.

I see a number of risks on the protection adviser's horizon, the biggest of which sit around the more complicated, high volume products, in particular critical illness, ASU and income protection, where definitions, deferred periods and benefit descriptions should all be of concern to those recommending these products today. And of at least of equal concern should be electronic transactional processes deployed by insurers today, particularly those that demand detailed underwriting processes to be adopted at 'point of sale'.

Another key ingredient to IFAs managing future risks has to be to look for greater equality from the complaints and redress processes. Whilst I am sure we all believe in the basic principles that established the Ombudsman service I have to believe that, if the architects of our current system could have foreseen the way others might manipulate it for their own potential financial gain, then they might well have drawn the rules a little differently.

Of course I am referring to businesses that encourage all customers to believe that whatever their circumstances, if they have a mortgage endowment policy, they are owed redress. Today these businesses are focused on endowments, tomorrow it may be critical illness, ASU and IP, if in their opinion the products do not do exactly what you said 'was on the tin'? We must make others understand the simple fact that any unregulated 'no win – no fee' business set up to profit exclusively from a healthy slice of any redress payment is going to ensure that every prospect of theirs rejects any refusal to 'pay up' by the IFA and automatically refers any case to the Ombudsman. What does it matter to them, or anyone else, that IFAs have to pay hundreds of pounds every time this happens? These unrestrained opportunists have absolutely nothing to lose in flooding the FOS with claims and in so doing ruining the lives of honest hard working IFAs.

So how do we deal with all these issues, after all they are common to many IFAs. To avoid being anything more than 'a lot of small voices' we must place our trust in, and provide our support to, AIFA so that we can help it to understand the issues and help it to help us.

Now is certainly not the time to fragment ourselves with self-styled defence unions, however the new Director General has to recognise that the existence of such organisations is symptomatic that some in the congregation are feeling unfairly treated and underrepresented right now and therefore feel compelled to try to balance the extreme voices of others with their own.

Any trade association, however reasonable or respected occasionally has to roll up its sleeves and get stuck in to the issues that really affect the lives and livelihoods of its members. I am certain all IFAs believe in treating customers fairly, through AIFA we just have to persuade others that we too deserve fair treatment now and in the future.

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