



Professional Advisers' Regulator. The best way forward.

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The Treasury Select Committee has just published its report on the regulator's role in the collapse of HBOS and what that means for UK regulation.

The report is damning. Not only have the component parts of the regulator not been communicating but, more importantly, there was an absence of political will to confront the issue. The TSC suggests that enforcement should be separated into a new body from supervision in the hope that this will create a thirst for action.

Sadly, I doubt it will work. There was no political will because none existed in Government or in regulation. And while the big players continue employing ex-regulators for significant salaries there will be no will from individuals either.

In some ways, this report just tinkers around the edges. The current regime cannot be allowed to continue in its current form. It is too compromised, too big and too expensive.

I believe that we need to start again and ask some very basic questions. What do we expect regulation to do? How much should it cost? Who should it be accountable to?

At the moment regulators have a variety of pressures coming from different directions and no one to prioritise their actions. So they attempt to do everything - very badly.

The Treasury's main driver is to have an organisation that will do its bidding while pretending to be independent. That will, as in the case of both HBOS and Equitable Life, bury a scandal for long enough that no one needs to take direct responsibility for the fallout. They do not care about cost as they are not paying for it. And they care little for consumer protection, especially when the bank lobbyists come calling.

MPs just want somewhere to send disgruntled consumers where their complaints can be fixed. How it is fixed is not a consideration, just as long as the problem is diverted elsewhere. But, with adviser lobbying MPs will start to care about both the cost and accountability of the system currently in place. This, of course, will only happen when they are confronted with the issue.

The big players want to control the system, both to continue their questionable selling practices and to remove smaller players from the market, giving them a monopoly.

Meanwhile, Advisers desire a stable and inexpensive system that polices the bad apples while recognising the practical needs of advisers.

But what about the Consumers?

Despite funding this billion-pound industry, no one has ever asked them what they want. The FCA Consumer Panel is totally devoid of consumers, but is instead filled with Whitehall cast-offs who will eventually derive their pensions from the public purse. In the absence of a real voice – and as agents of the client – we must presume that consumer and adviser needs mostly align.

The Brexit vote has the potential to profoundly change UK politics and UK regulation. We will no longer be subject to EU directives and can therefore arrange our affairs as we wish.

The HBOS Report demonstrates that the current system is too disparate to ever protect the consumer, and too compromised to ever act against the powerful.

Last year, during the FAMR discussions, Libertatem suggested it was time that Professional Advisers should get away from this mess and be allowed to set up their own regulator. We called it PAR – The Professional Advisers' Regulator.

Advisers liked it. A number of Treasury Select Committee members could see its benefits. It is now time to build on this idea and create a regulator that deals with the issues while respecting the consumer and enhancing the reputation of financial advisers.

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