UKSIF
UK Sustainable Investment and Finance Association

22nd December 2015

FAMR Secretariat
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

Dear Sir/Madam,

We are responding to the recent HM Treasury and FCA call for input on the Financial Advice Market Review (FAMR).

About UKSIF and the Ethical Investment Association

UKSIF is the membership network for sustainable and responsible financial services in the UK. We promote and support sustainable and responsible investment (SRI) and other forms of finance that advance sustainable economic development, enhance quality of life and safeguard the environment. We also seek to ensure that individual and institutional investors can reflect their values in their investments. UKSIF was created in 1991 to bring together the different strands of sustainable and responsible finance nationally and to act as a focus and a voice for the industry. UKSIF has around 240 members and affiliates including financial advisers, institutional and retail fund managers, pension funds, banks, research providers, consultants and NGOs. For more info about UKSIF, please visit www.uksif.org.

In writing this response we have engaged with the Ethical Investment Association (EIA) steering group and its members. The EIA is a separate chapter of UKSIF for financial advisers which has regular meetings and around £1bn asset under management. It was started by financial advisers in 1998 with the goal of developing green and ethical investment in the UK and to share ideas about incorporating green and ethical investment into the financial advice process. Its aims are to encourage dialogue with Government and Regulators, to increase public access to financial advice on green and ethical investment and to raise standards for financial advice on green and ethical investment. For more information about the EIA please visit www.ethicalinvestment.org.uk.

In this response we refer to SRI and values based investment. We define SRI as the integration of environmental, social and governance factors in investment decisions. Globally the UK is the second biggest SRI market and the biggest within Europe and assets under management stands at around £1.9tn.[1] Values based investment is defined as investment which allows consumers to reflect their own beliefs and ethics in the way they invest their money. The UK market currently stands at around £15bn assets under management.[2]

[1] Eurosif, *European SRI Study 2014*, available at http://www.eurosif.org/wp-content/uploads/2014/09/Eurosif-SRI-Study-20142.pdf
[2] EIRIS statistics available at http://www.eiris.org/media/statistics/

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Answers to your questions

Q1: Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for financial advice or difficulty finding and obtaining that advice?

Consumers with protected characteristics under the Equalities Act may have values they wish to be reflected in their investments. It may be harder to find appropriate advice which enables them to reflect their values in their investments for reasons set out in our answers to questions 3, 10, 20 and 21.

It is worth noting that only around 5-10% of active financial advisers are female. We have anecdotal evidence that the exams required to become an approved person and the CPD requirements are hugely geared towards men and do not reflect needs of women and ethnic minorities. This only serves to inhibit diversity in the range of financial advisers in the UK and the financial advice that is given.

Q2: Do you have any thoughts on how different forms of financial advice could be categorised and described?

The difference between unregulated financial guidance and regulated financial advice is clear and it is important that this distinction is understood by policy makers, financial advisers and consumers. This is also the case for the distinction between independent financial advisers and financial advisers (both of whom being regulated). It is essential the correct language is used: The average reading age in the UK is 9.

General information about products and services will not usually be regarded as advice. It is often referred to as a non-advice service and regarded as guidance. Where the consumer receives a recommendation for an investment product this is regarded as advice and comes in two categories. An independent financial adviser, or IFA, will make an unbiased recommendation based on the entire universe of retail products that match a particular consumer's needs. A restricted adviser will only make recommendations for certain products and as such may not use the term 'independent' to describe the advice they offer. In both cases the adviser is required to state whether they offer independent or restricted advice, although the restricted adviser will be required to state the nature of the restriction.

Q3: What comments do you have on consumer demand for professional financial advice?

In April the *Pension Freedoms* came into force which allowed members of DC pensions schemes a range of options to access their pension pots from the age of 55. This has created a huge opportunity for the financial advice market to provide expertise to individuals looking to navigate to the right options for their particular circumstances. Equally, it created a range of risks to consumers including from scams, tax implications and longevity risks. Auto-enrolment has meant that many more people are likely to have investments from a much younger age and their needs, including their own personal values, should be taken into account in guidance and advice. Allowing individuals to invest in-line with their values will be one step towards increasing trust in the sector. The combination of these factors will drive demand for professional financial advice.

It may also be worth noting anecdotal evidence we have received that the lack of commission resulting from the retail distribution review (RDR) remains an unresolved issue. It must be at the centre of consideration for demand in this review. Since RDR the quality of advice has increased, which is a welcome development, however the quantity has declined which has been one factor that has lead towards an advice gap.

Q4: Do you have any comments or evidence on the demand for advice from sources other than professional financial advisers?

Q5: Do you have any comments or evidence on the financial needs for which consumers may seek advice?

The financial needs for which consumers will seek advice are wide ranging. This may include advice on mortgage products, generally from a mortgage adviser, and options in retirement stemming for the new pension freedoms for which individuals may seek guidance (e.g. from Pension Wise) or full advice (from a financial adviser).

There will be some consumers with financial needs who do not seek advice because they are unaware it exists or because they are not sufficiently engaged in their own financial affairs. For these individuals, many of whom will be young, much more should be done through financial education and guidance to discourage consumers from falling into debt and to explain raise awareness of their options. It is estimated that by 2020 UK households will hold up to £350 billion of unsecured debt. Debts for 15-24 year olds grew by 200% between 2006-2012. This is ten times faster than the average debts of the wider population.[3] This group has complex financial needs that are not being met and for which they are not seeking advice. More financial education is essential to help reduce the amount of personal debt in the UK.

Q6: Is the FCA Consumer Spotlight segmentation model useful for exploring consumers' advice needs?

Q7: Do you have any observations on the segments and whether any should be the subject of particular focus in the Review?

Q8: Do you have any comments or evidence on the impact that consumer wealth and income has on demand for advice?

It is our view that the FCA Consumer Spotlight segmentation model is useful but it remains too one-dimensional. A focus on age and money alone is too simplistic an approach. Research commissioned for UKSIF's Good Money Week 2015 shows evidence for the existence of what you term a 'social investor'[4] showing a clear positive correlation between positive values and age.[5] There should be recognition of this within the segmentation model which would also help further cement values based investment as a legitimate approach.

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[3] Citizens Advice, *Unsecured and Insecure?,* 2015, available at https://prezi.com/oqlbimt__2sn/unsecured-and-insecure/
[4] FCA, *Call for Input: Regulatory Barriers to Social Investments*, December 2015
[5] Standard Life Investments, YouGov poll, 2015

The review should focus on young people – who must be encouraged to save more – and the 'soon-to-retire' segments. The pension freedoms have meant millions of people are now able to access their pension pots and use their money as is most appropriate for their circumstances. This has resulted both in a surge in demand for advice but also scams and fraud which has resulted in around £9 million[6] being illegally stolen from savers since the freedoms were introduced. These consumers are most at risk and the FCA should examine what steps are appropriate to ensure these risks are properly addressed; major scandals resulting from scams or fraud will weaken both trust in the sector and demand for advice.

It may also be the case that many individuals in the higher end of the segmentation model may not have bought their assets. In many cases assets may have been inherited or been given to individuals by employers (LTIPs, pensions etc.). There may be older and more affluent consumers who are not as well-advised or 'savvy' as the segmentation model suggests and it may also be too simplistic in this respect.

Q9: Do you have any comments or evidence on why consumers do not seek advice?

There are a variety of reasons some consumers do not seek advice, many of which are covered in our answer to Question 20. One underlying reason may be the apparent disconnect between demand for advice and a reflection of values in investment: Demand for advice will be boosted if people feel they can reflect their values in their investments. It is also worth noting that by integrating ESG factors into investment decisions, SRI strategies are able to mitigate risks to help avoid potential scandals that will inevitably erode confidence in the financial services sector. The Law Commission explicitly recognised the inherent value of SRI in its report on fiduciary duties.[7] It stated clearly that trustees of pension schemes *should* take into account all financially material factors including ESG when making investment decisions and recommended this should be embedded in the Investment Regulations.

Some people may not take advice specifically on SRI because they believe it is already being

Q10: Do you have any information about the supply of financial advice that we should take into account in our review?

Consumer knowledge and industry fees will remain the main challenges to the provision of financial advice. Many consumers are unaware of the benefits of financial advice or that it exists. We refer to this awareness and referral gap in Q20. For these people (of which there are around 10 million currently in the UK) far more needs to be done to advertise the benefits of financial advice generally and to direct them in the first instance to Pension Wise, TPAS and MAS. Fees will continue to represent an obstacle for some consumers. Some may be willing to pay for financial advice but not at current prices or it may be the case that the financial adviser is not willing to advise the client due to it being uneconomical.

[6] This is Money article, October 2015, available at http://www.thisismoney.co.uk/money/pensionfree/article-3279904/As-government-warns-savers-pension-freedoms-scams-s-fend-conmen-prey-pot.html
[7] Law Commission, *Fiduciary Duties of Investment Intermediaries*, 2014 available at http://www.lawcom.gov.uk/wp-content/uploads/2015/03/lc350_fiduciary_duties.pdf

SRI and values-based investment markets will grow over the next five years. Despite this, according to a recent report[8] 31% of financial advisers that responded to the study felt they did not know enough about RI to enable them to offer it clients. A further 66% felt there was not enough information designed to give financial advisers a better understanding. Demand is being driven by clients but 38% of advisers said they had either never discussed responsible investment with clients or considered offering it as part of a portfolio. This is a growing market and the supply of SRI investment advice needs to be examined. This is partly being addressed by the industry itself, but work needs to be done by the FCA to make more information available to advisers.

Q11: Do you have any comments or evidence about the recent shift away from sales based on professional advice, and the reasons for this shift?

Q12: Do you have any comments or evidence about the role of new and emerging technology in delivering advice?

We welcome new technology such as robo advice for three key reasons:

- It is a means to enable people who are otherwise unable to receive advice; robo advice has a role to play in plugging the advice gap.
- Financial advisers will benefit from emerging technology like robo advice and they should utilise and incorporate it into their business models to increase demand for their services.
- Provided the right rules and mechanisms are in place it can help to facilitate more SRI and investment in-line with consumer values. This will result in people saving more and earlier.

Q13: Do you have any comments on how we look at the economics of supplying advice?

Based on both anecdotal evidence and a recent survey by the Association of Professional Financial Advisers (APFA), regulatory costs have been identified as a major factor in increasing costs and for certain consumer segments making the supply of advice uneconomical. It estimates that total costs associated with the FCA, FOS, FSCS, MAS and Pension Wise was £460 million in 2013. It also cites a 10% increase in the FCA's annual levy as a contributing factor, and estimates that costs relating to regulation comprise 12% of a firm's overall costs. These costs are passed onto the consumer, increasing charges and increasing the affordable advice gap. The FCA should look at the burden of regulation, both on firms and consumers, and examine its role in sustaining the advice gap.

In this context it would be important to consider how much advisers of various types should earn. Our view is that anyone giving guidance or advice is in a responsible position and should be remunerated accordingly. The premium for advisers should be material to reflect the necessary higher level of knowledge. Setting a lower bound for pay for the various roles, adding costs (including an element to reflect the existence of long-term liabilities), and solving for fees charged will show the minimum fees necessary for various services. Our suspicion is that the results of this exercise will be to confirm a minimum cost for the various types of advice consistent with the existence of the various advice gaps outlined in our answer to questions 17-20.

In your conclusion to this project it might be helpful if you were to comment on what level of remuneration underlies the models you use in your analysis.

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[8] Alquity, *Barometer 2015*, available at http://www.alquity.com/?p=6329

Q14: Do you have any comments on the different ways that firms do or could cover the cost of giving advice (through revenue generation or other means)? Do you have any evidence on the nature and levels of costs and revenues associated with different advice models?

Q15: Which consumer segments are economic to serve given the cost of supplying advice?

Q16: Do you have any comments on the barriers faced by firms providing advice?

We have anecdotal evidence that the main cost of advice comes from avoiding liabilities. FOS has not been helpful in this respect and the cost of 'getting it wrong' remains significant. The lack of a long stop means less is done in terms of innovation while more focus is put on avoiding liabilities.

Q17: What do you understand to be an advice gap?

Q18: To what extent does a lack of demand for advice reflect an advice gap?

Q19: Where do you consider there to be advice gaps?

Q20: Do you have any evidence to support the existence of these gaps?

Following the announcement of the FAMR consultation, Citizens Advice published a report[9] which examined four advice gaps (affordable advice, free advice, awareness and referral and preventative advice) and over the summer Alquity published a report which examined the potential for an SRI advice gap. We believe these are key gaps in the UK financial advice market and the FCA should consider how best to address them.

- **The affordable advice gap –** most consumers are unable to pay for advice and a minority can but are not prepared to pay current prices. The research suggests that 5.4 million extra consumers would consider paying for advice if it cost less. (CA)
- The free advice gap - people want advice but are unable to pay for it. Currently there are around 14.5 million people in this group. It includes 5.3 million people who have needed free advice in the last two years but haven't taken it and 735,000 people who have tried to take free advice but couldn't due to lack of supply. (CA)
- The awareness and referral gap - people are either unaware that advice exists or unaware where to get it. Up to 10m people who think they would benefit from free advice are not aware of public guidance. It includes 3.3 million people who need free advice but failed to get it because they were unaware it existed or where to get it and 3.4 million people who have raised a financial issue with a trusted professional at some point but were not given help or were not told where to find it. (CA)
- The preventative advice gap people would benefit from having financial advice as a preventative measure. Up to 23 million people have been in this gap at least once in their life. Around 39% people who have expected a baby would have taken money advice if it was offered. 1.2 million people who have taken paid for or free advice in the last two years have not had the non-financial causes of those problems addressed. (CA)
- **The responsible investment advice gap** – people who want to invest responsible but are unable to do so because of their adviser. Alquity analysed the potential for there being a

[9] Citizens Advice, *The Four Advice Gaps*, 2015 available at https://www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/the-four-advice-gaps/

responsible investment gap in the UK. Its report[10] found that despite the belief of most financial advisers that RI could deliver just as high a return as traditional forms of investment, almost two thirds of respondents said decisions to include RI in their portfolios were driven by clients and 82% believed the RI market would grow over the next 5 years. There is a concerning disconnect between the ability of financial advisers to provide information on RI and RI in portfolios and a growing market that is being driven by responsible retail investors. (Alquity)

Q21: Which advice gaps are most important for the Review to address?

The awareness and referral gap is something the Government should be very concerned about. There is little point operating the Money Advice Service if the majority of people it exists to serve are unaware of it. Nonetheless, the affordable advice gap is the most important area for this review to examine. Good quality paid-for advice is essential to improving financial outcomes for many households but this is becoming increasingly less affordable. According to Citizens Advice around 49% of UK households have net financial wealth below £5,000. There will also be consumers who require free advice or guidance to assess their options before paying for advice.

Despite the importance of the free advice gap one area the FCA may wish to examine is the SRI investment advice gap. The findings in the Alquity report are backed up by research[11] commissioned during Good Money Week 2015. For example the research found that that 51% of 18-24 year olds wanted their investments to minimise damage to the environment. The figure for 25-34 and 35-44 year olds on the same issue is 47% and 49% respectively. Separately, the Governor of the Bank of England spoke about climate change risk in September[12] and specifically risks arising from "stranded assets",[13] something which will become even more prominent following the global agreement at the recent COP21 climate negotiations. The wish to reflect values in investments should not be ignored and the reasons for some financial advisers' lack of knowledge of SRI should be reviewed and addressed. While benefitting society and the environment may be motivations for investors, we agree with Alquity that more needs to be done to explain why SRI strategies that target well-run companies that minimise negative impacts on people and the planet is first and foremost good business.

We also hear anecdotal evidence that SRI is excluded from FCA requirements for exams for authorised persons and that there is very little in CPD. It also increases PII costs which only serves to make SRI uneconomical for some advisers to offer.

Q22: Do you agree we should focus our initial work on advice in relation to investing, saving into a pension and taking an income in retirement?

We agree on the areas the FCA should focus on initially. We have said more work needs to be done to encourage consumers to save more and earlier, and to address the new risks associated with the

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[10] Alquity, *Barometer 2015*, available at http://www.alquity.com/?p=6329
[11] Standard Life Investments, YouGov poll, 2015
[12] Mark Carney speech at Lloyd's of London, September 2015 available at http://www.bankofengland.co.uk/publications/Pages/speeches/2015/844.aspx
[13] Carbon Tracker, *Unburnable carbon 2013: Wasted capital and stranded assets*, available at http://www.carbontracker.org/report/wasted-capital-and-stranded-assets

pension freedoms. Auto-enrolment means that for many people saving into a pension will be their first investment. According to the Government there are ten million workers in the eligible target group[14] for auto-enrolment. Of these, there are expected to be nine million workers newly saving or saving more by 2020.[15] The Pensions Advisory Service, Pension Wise and the Money Advice Service will have a significant role to play to encourage people to save into their pension early and not to opt out. Currently opt out rates are low, which is promising, but when auto-enrolment is extended to small and micro-businesses Pension Wise, The Pensions Advisory Service and the Money Advice Service will need to play a far more active role to ensure as many consumer as possible are saving.

Q23: Do you agree we should focus our initial work on consumers with some money but without significant wealth (those with less than £100,000 investible assets or incomes under £50,000)?

The upper limit of these thresholds is appropriate although we believe the bottom end of the scale should be those without any money. As we have said in our answer to Question 20 makes it clear that the advice gaps are far more significant for individuals with low assets.

Q24: Are there aspects of the current regulatory framework that could be simplified so that it is better understood and achieves its objectives in a more proportionate manner?

Only 34% of financial advisers believe enough information is available to them on SRI. This is telling. We believe a guidance note which explicitly recognises SRI and values based investment would be helpful in publicising it as a legitimate strategy. We believe the FCA handbook should be simplified and more focus given to SRI and values based investing.

Q25: Are there aspects of EU legislation and its implementation in the UK that could potentially be revised to enable the UK advice market to work better?

The continental European financial advice market is different from the UK's and best practice may be hard to transpose. European advisers tend to operate within large financial institutions like banks and insurance firms and often the comparison between markets is less obvious than it appears. Despite this there are similarities in terms of demographics and advice needs, particularly in northern Europe. The UK is largely ahead of other European nations e.g. level Q4 for AP, the RDR ban on commission and TCF.

Q26: What can be learned from previous initiatives to improve consumer engagement with financial services?

Q27: Are there any approaches to the regulation of advice in other jurisdictions from which we could learn?

We would point towards the French 90/10 rule on social investment which has certainly served to raise the profile of social investment in France. We would recommend taking steps to encourage 10% investment elsewhere rather than requiring it, and it would make sense to offer it under a

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[14] DWP defines the eligible target group is as workers who are aged between 22 and State Pension age, earning over £10,000 and either (i) not currently saving in a pension scheme; or (ii) saving in a pension scheme where the employer contributions are less than 3% of the worker's salary, and is not a defined benefit scheme.

[15] DWP, *Workplace pensions: Update of analysis on Automatic Enrolment*, September 2015, available at: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/460867/workplace-pensions-update-analysis-auto-enrolment.pdf

broader *SRI* umbrella, rather than specifically social investment (and clearly not limit this to financial institutions).

Q28: What steps can be taken to address behavioural biases that limit consumer engagement without face-to-face advice?

We believe the Government has a role to play. In particular it should advertise the various options available to consumers based on the consumer segmentation model, but with a particular focus on those will low wealth and assets. These are the consumers who are most likely to be unaware of available financial guidance and advice (including robo advice) and therefore the prime target audience of any advertising campaign.

The Government could decide to fund this, possibly via the recently announced apprenticeship levy and through student loans. We have already stated our belief that consumers must be encouraged to save more and earlier and this could be achieved by linking saving for retirement with policies relating to a consumer's first job.

Q29: To what extent might the different types of safe harbour described above help address the advice gap through the increased incentive to supply advice

Q30: Which areas of the regulatory regime would benefit most from a safe harbour, and what liabilities should a safe harbour address?

Q31: What steps could be taken to ensure that a safe harbour includes an appropriate level of consumer protection?

The FCA's finalised guidance on retail investment advice notes that 'a well-functioning retail investment market needs different delivery mechanisms to be fully effective for a broad range of potential investors'. We agree fully with this statement. Simplified models of advice at lower-cost reflecting simpler needs is one way to address the affordable advice gap and it is welcome the FCA has recognised this.

There remains at least one significant obstacle to simplified advice permeating the market. We have heard anecdotal evidence that FOS shows such consumer bias that it inhibits innovation and is to the detriment of the sector. Clearly consumer complaints must be taken seriously but this should be done in a fair and proportionate manner. The current system means many firms are unwilling to provide simplified advice due to uncertainties surrounding liabilities and how they will be treated by FOS.

A safe-harbour should be introduced in relation to simplified advice. Clear conditions and boundaries relating to the types of simplified advice that are permissible would be extremely helpful in giving much needed certainty to the sector and would represent one step towards plugging the advice gap.

Q32: Do you have evidence that absence of a longstop is leading to an advice gap?

Q33: Do you have evidence that the absence of a longstop has led to a competition problem in the advice market e.g. is this leading to barriers to entry and exit for advisory firms?

Q34: Do you have any comments about the benefits to consumers of the availability of redress for long-term advice?

Based on anecdotal evidence the lack of a longstop may increase the responsible investment and affordable advice gaps. The ongoing nature of liabilities relating to financial advice has increased costs and proven a deterrent to innovation and includes the following:

- Ongoing liability may put off some advisers from offering values-based or ESG investment recommendations due to their perceived complexity, increasing the responsible investment advice gap.
- The benefits of advising smaller clients do not outweigh the risks associated with ongoing liability. The business model becomes uneconomical which increases the affordable advice gap.
- The risk premium attached to charges for financial advice means a significant proportion of consumers are unprepared to pay for full advice which increases the affordable advice gap.

There has been some recent evidence[16] that the introduction of a longstop would have little if any practical effect relating to advisers' liability. Notwithstanding this, even more important than the potential amount of cases affected is the perception of an industry with unlimited liability. It is seen as a significant risk by advisers and a major obstacle in attracting new financial advisers to the sector. We would reiterate the impact of SRI strategies taking into account all financially material factors including ESG in helping to mitigate many of the risks that can potentially lead to these liabilities.

Q35: Do you have any comments or suggestions for an alternative approach in order to achieve an appropriate level of protection for consumers?

Q36: Do you have any comments on the extent to which firms are able to provide consistent automated advice at low cost? Are you aware of any examples of this, either in the UK or other jurisdictions?

Q37: What steps could we take to address any barriers to digital innovation and aid the development of automated advice models?

Q38: What do you consider to be the main consumer considerations relating to automated advice?

Different markets generate different demand, however the Japanese experience of robo advice has been so far positive. According to recent reports[17] the majority of elderly Japanese people want to be cared for by robo advisers rather than human advisers. Reasons suggested for this include competence of automated advice being on par with human advisers while not making clients feel patronised.

Trends in the UK – in particular the habits of the next generation of investors – are more certain. It is astonishing the UK financial services sector remains as one of very few industries yet to fully realise the potential of technology. We have already stated our belief that robo advice utilised properly can offer huge opportunities for firms and encourage people to save more and earlier. The full benefits of technology working alongside human advisers will not be properly understood until the sector has properly developed. Currently one of the most high profile robo advisers is offered by LV= which

[16] Money Marketing, *Long-stop would have barred just nine complaints last year*, December 2015 http://www.moneymarketing.co.uk/long-stop-would-have-barred-just-nine-complaints-last-year/
[17] Evening Standard, *Clients want humans, but with exceptional IT*, 9 December 2015

offers 'fully regulated' advice from Cora which includes a risk profile, suitability checks and a personal recommendation.[18]

We believe the robo advice sector will grow and be a significant step in the right direction in plugging the affordable advice gap and potentially the responsible investment gap too. However, we would question the ability of robo advisers to serve values based investors. As one financial adviser told us, currently many mainstream advisers struggle with advice on mainstream ethical funds – it remains unclear how robo advice would handle a client interested in impact investing. Values based investing should be available to all consumers with capital to invest; it should not be the preserve of those able to afford full advice.

Q39: What are the main options to address the advice gaps you have identified?

We have already stated our views on how to address the advice gaps listed above. To sum up we think more work is necessary in the following areas:

- The FCA should examine the option for a longstop and in particular the indirect effect a lack of protection for advisers has on the sustainability of the sector and its impact on the promotion and uptake of SRI and values based options in investment.
- Examine the role of the Financial Ombudsman Service, including the extent to which it is too pro-consumer and the effect this has on the ability of advisers to promote and offer SRI or values based investments.
- Robo advice should be further encouraged to help plug the affordable advice gap.
- Explicit recognition of SRI and values based investment as legitimate strategies that can produce just as good returns as traditional investments and help mitigate risks to portfolios. It would be helpful for the FCA to publish a guidance note to explicitly recognise this.
- Advertising from the Government may be necessary to ensure consumers are aware of their available options with regard to financial advice.

Q40: What steps should we take to ensure that competition in the advice markets and related financial services markets is not distorted and works to deliver good consumer outcomes as a result of any proposed changes?

Q41: What steps should we take to ensure that the quality and standard of advice is appropriate as a result of any proposed changes?

Ultimately we believe the sector would be well served by taking concrete steps towards understanding the needs of consumers, based on wealth, age, personal values and SRI aims.

[18] FT.com, *Rise of the robo adviser as UK pensioners are given cheaper counsel*, 9 November 2015 https://next.ft.com/content/a8598908-8316-11e5-8e80-1574112844fd

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We trust the above information is clear, but if you require clarification on any of the points raised please do not hesitate to contact us.

Yours sincerely,

Simon Howard
Chief Executive
UK Sustainable Investment and Finance Association (UKSIF)