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IFAs REVEAL THEIR VIEWS OF POTENTIAL OUTCOMES OF FSA REVIEW OF RETAIL DISTRIBUTION

AEGON publishes IFA Insights Survey – report 2

- **85% believe a common level of commission should be established between providers**
- **79% want lighter regulation for good capital base and TCF systems**
- **88% oppose a total ban on commission but 47% want move to fees**
- **IFA business development strategies: personal recommendation is still key**

The second edition of AEGON's *IFA Insights* survey has revealed overwhelming support (85 per cent) for the idea of a common level of commission between providers to avoid perceptions of provider bias. A majority of IFAs (79 per cent) believe that IFA firms the FSA deems to have a strong capital base and good systems for treating customers fairly should benefit from a lighter regulatory regime. 88 per cent would be dissatisfied with a total ban on commission as a means of remuneration and 95 per cent believe commission has a vital role to play because clients are unwilling to pay a fee for advice.

The research, which asked IFA opinion on potential outcomes of the FSA's ongoing review of retail distribution, reveals that over half (55 per cent) see the review as an opportunity to enhance their professional status and reputation, while one fifth (20 per cent) of IFAs see the review as a threat to their way of working. A quarter (25 per cent) of IFAs do not yet know what impact the review will have.

AEGON asked 100 IFAs:

The following are some potential outcomes of the FSA review. Please say if you would be satisfied or dissatisfied with each.

| | Total 'satisfied' | Total 'dissatisfied' |
|---|----------------------|-------------------------|
| Establishing a common level of commission between providers, to prevent the perception or suspicion of provider bias | 85% | 13% |
| Lighter regulation regimes for IFA companies that the FSA deems to have a strong capital base and good systems for treating customers fairly | 79% | 17% |
| A new classification which distinguishes IFAs, who offer ongoing advice to clients, from commission-based models which focus more on product transactions | 65% | 31% |
| Reinforced procedures around the existing 'menu of payments' which compel advisers to disclose more about the type of advice they offer and its cost | 65% | 35% |
| A system of generic advice, available to all, providing general information about dealing with specific financial needs | 63% | 32% |
| A ban on commission as a means of remuneration | 11% | 88% |
| Compelling advisers to agree charges at outset | 68% | 29% |

In a separate question, 84 per cent considered that the introduction of a regulatory system which rewards the best IFAs with less onerous requirements this type of system would encourage IFAs to meet regulatory targets. A high proportion – 83 per cent – believe IFAs should have a separate regulatory regime from product providers that takes into account the different ways they work.

Commenting on these results, Graham Dumble, AEGON's Director of Risk & Regulation, said,

"Our research reveals strong IFA opinion regarding some of the potential outcomes of the FSA review. There is clear support for concepts such as a common level of commission between providers and lighter regulation for IFAs with strong capital bases and Treating Customers Fairly systems. We are delighted that the majority of IFAs see the review as an opportunity to enhance their reputation. IFAs have an important contribution to make to the debate as the work of the review unfolds.

"It is interesting that while 88 per cent of IFAs feel that it is not the right time for a ban on commission, 48 per cent of IFAs agree that they would like to move to a fee-based structure, but their business strategy is dependent on regular commission payments. The FSA should be looking at how they can work with IFAs to help them achieve these aims."

On the issue of consumer engagement, the IFAs were asked what activity they feel would help to encourage more consumers to see professional financial advice as a service worth paying for. 88 per cent said that a higher level of activity from industry bodies to improve the reputation of advisers would be very or somewhat useful. 86 per cent felt that encouraging advisers to be confident and up-front about the cost of their service would also be very or somewhat useful.

IFAs were also asked about business development strategy. Almost nine out of ten (86 per cent) agreed that most of their new clients come from referrals from existing clients rather than as a result of any particular strategy, although the majority (51 per cent) have a strategy in place. 51 per cent also admitted that they would like to have a 'more strategic approach' to attracting new clients, but that it was difficult to find the time to develop this. A third of IFAs (32 per cent) feel that product providers have a duty to help them attract new clients.

Graham Dumble added, "One of the major challenges the industry is facing is finding new customers and we were interested to find out more about IFA business development strategies. The findings suggest personal recommendation and trust are still key to consumers in seeking financial advice – and that IFAs believe more can be done to play up the professional credentials of their sector. Over time those IFAs who rely on their existing client base for new customers might prove to be even more successful if they adopt new marketing and promotional activities.

"Overall, the report suggests that IFAs are very open to new concepts in terms of the impact of incentives and moving the industry forward. The FSA must keep close to the IFA community as the review develops. "

The AEGON IFA Insights Survey is a quarterly barometer of IFA views, involving 100 IFAs questioned by Populus. The research excludes IFAs from AEGON-owned companies Origen and Positive Solutions. For further information and a copy of the report, contact Lesley McPherson, AEGON UK, 0131 549 3782/07740 897541

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Notes to Editors

AEGON UK has assets under administration of £45.2 billion and employs around 4,000 staff. AEGON UK is part of the AEGON Group, which is one of the world's largest listed insurers and has assets under management of £245 billion.