

Complexity lies behind true RDR reform

Story by: David Cox | Magazine: [FinancialAdviser](#) | Published Thursday , August 28, 2008

Letter to the Editor

Regarding the publication of the FSA's Retail Distribution Review Interim Report, please note the following.

In my experience, most situations involve a complex interaction of numerous factors. Therefore, can advice and sales be an appropriate mechanism to structure such a complex system as retail distribution in financial services?

The RDR talks about customers, where the emphasis is on customer catching and transactions whereas a professional financial adviser focuses on clients where the emphasis is on developing and enhancing relationships.

The vast majority of clients are not passive in the process of seeking a financial adviser they can trust. Some rely on the perceived safety of a recognised brand, such as their bank, whereas others will take up personal recommendations.

Many will choose the services of a recommended local adviser because they receive personal attention, are likely to deal with the same person on an ongoing basis and they know they can get back in touch easily without the need to stand in a long queue or deal with a remote call centre. The choice they ultimately make is the one they feel most comfortable with; all the elements taken individually may not be ideal but as the old saying goes: the whole is greater than the sum of its parts.

Without doubt, initiatives like raising professional standards, improving the transparency of how much a client is paying for the relationship with their financial adviser and understanding the basis of that relationship should be fully supported.

However, the question I would ask is that, as the basic foundation of good financial planning is the same for every suitably qualified and experienced financial adviser, why should the distribution channel they choose to represent make any difference to whether they are capable of giving appropriate advice?

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