

## RDR could leave 2 million clients without an adviser

Story by: Sharon Flaherty | Magazine: [FTAdviser](#) | Published Tuesday , March 10, 2009

As many as 2 million clients could be left without access to an IFA after Retail Distribution Review (RDR) implementation, industry members have warned.

By 2012, financial advisers will have to attain a higher level of qualification and move to recurring income models agreed with customers, opposed to current commission-based models.

However, the reform which is widely opposed by IFAs, could leave as many as 2 million clients without an adviser, if claims by Ernst & Young that 10,000 IFA firms will leave the industry turn out to be true. ([See related article.](#))

Managing director of intermediary consultancy firm Suuqea David Cox said: "If each adviser has 200 clients and if 10,000 leave the industry, then 2 million clients could be without adviser. What is going to happen to these clients?"

"The FSA is giving no thought to what is going to happen to these people if all of a sudden they are adviser-less.

"Consumers are probably going to be driven into the banks where they can easily access products, then the real issue is the quality of advice," Cox said.

Zurich's intermediary sales director Richard Howell agreed, adding that consumers could potentially mistrust banks, following the recent banking crisis, creating an even bigger hole in the number of consumers accessing financial products.

"One of the unintended consequences of the RDR is the exit of a number of IFAs. I believe up to 40 per cent will leave the industry.

"Surely it can't be good news if you're the consumer and you've taken your advice from the local IFA for a number of years and suddenly he isn't there anymore. Who do you go to for your advice?"

"Suddenly the new IFA on the high street is fee-based and he deals with high net worth clients and that might not suit that particular client. So their other option is potentially to go to the bank but with all that's happened will they really want to go to the banks?"

Howells suggested that the middle tier of consumer would suffer most at the hands of the RDR, as those IFAs who do remain in the industry, will try to service higher net wealth clients in a bid to attract higher and recurring fees.

"No-one likes writing a cheque and paying a fee. If that's taken away we have to be quite clear a number of advisers out there will push themselves up the consumer bracket so they only deal with customers of a certain value.

"You can't blame them for that as they have to make money but where does that leave everybody else?"

Cox added: "Clients who have an adviser who leaves the industry altogether could have a real problem and could be very vulnerable. I don't think the FSA is giving any consideration to that at all."