

FCA Factsheet

No. 007

All firms giving personal recommendations, such as financial advisers, wealth managers, private bankers and stockbrokers.

Disclosing your firm's charges and services.

On 31 December 2012, we introduced new requirements for firms giving personal recommendations. These requirements meant many firms had to change the way they charged customers for advice and change the way they described and delivered their services.

We are part way through a thematic review to consider how firms have implemented these changes. For further details of our review see: www.fca.org.uk/your-fca/documents/thematic-reviews/tr13-5

Note: This factsheet is not an exhaustive list of the requirements for firms.

Aim

To help firms ensure they are meeting the RDR requirements. If you are unable to answer the questions below positively, you may not be meeting our requirements.

Can your clients understand your charging structure?

- Do you disclose your initial and ongoing charges in cash terms?
- If your charge is a percentage, do you provide cash examples?
- If you charge an hourly rate do you provide indicative examples?
- Do your clients receive your charging structure before you provide any advice services?

- Where your initial charge for regular premium business is paid in instalments, have you made sure they are not open-ended but end when the initial charge is paid off?

Can your clients understand what they will pay and how they will pay the charge?

- Do you disclose the total adviser charge specific to the client as early as practical (for example, at the end of the first meeting or shortly afterwards)?
- Do you disclose it before the client incurs any charges?
- Is it in cash terms?
- Is it in writing in a durable medium?
- Do you record the client's agreement to the specific amount to be charged?

- Do you ensure the client has agreed to the method to be used to pay the charge? For example, if you normally use facilitation, is this agreed with the client?

Can you demonstrate you are independent?**Can you show that you are able to advise on all retail investment products?**

- Can you produce details of research you have conducted for all retail investment products for your relevant market?
- Can you demonstrate your understanding of all retail investment products?

In practice, is your advice free from bias or restriction? For example:

- Your past sales should not demonstrate any bias towards a particular provider or platform.
- Your past sales should not demonstrate a bias towards a particular product? (E.g. your own model portfolio?).
- You should not only advise clients to invest in platforms or providers who offer facilitation.

Can your clients understand your firm's services?

- Do you use the term 'independent' or 'restricted' in your disclosure documents?
- Do you clearly describe the service you are offering?

Restricted firms: do you clearly disclose the nature of the firm's restriction?

- Do you clearly describe how your service is restricted either by product, or provider, or both?

Can your client understand what your ongoing service includes?

- Does your documentation clearly describe what is included in the ongoing service?
- The word 'review' may mean something different to each client. Is your disclosure clear about what the review involves?
- Is it clear whether the adviser or client needs to instigate the review?
- Does your disclosure documentation clearly describe that the ongoing service can be cancelled and how the client can do this?