Management Information
Self Assessment Tool

JUNE 2007

By asking a series of questions, this tool acts as a prompt to help you as a small financial adviser firm to think about some of the key areas in which you might want to collect and analyse information as part of monitoring the quality of advice you give to your customers. Some of the areas covered may not apply to your firm. This tool is not a checklist and is not exhaustive. You will need to consider your firm's own size, structure, business model and activities when considering what management information is right for your firm.

Recruitment

Can you:

- Adequately assess the financial soundness of the people you recruit?
- Easily identify if new employees are appropriately qualified and what their level of competence is; and
- Adequately supervise new employees if they are bringing a new type of business with them?

If you do not assess and measure your firm's recruitment procedures to ensure they are sufficiently robust, you could make inappropriate appointments. Identifying and addressing the root causes of staff turnover is good business practice. It could mean lower recruitment costs.

By identifying the level of competency of new advisers and understanding the type of business they will bring to your firm, you can assess if this is appropriate for the advice and services being provided to your customers and you can assess your firm's ability to adequately supervise them. This will reduce the risk of your firm giving customers poor advice.

Training and Competence

- Do your staff regularly undertake appropriate technical and "soft skill" training to apply their knowledge?
- Are persistency, replacement business, lapsed and cancelled policy levels acceptable?
- Are total and individual complaint levels and types acceptable?
- Are findings from file reviews incorporated into individuals learning and development plans?

Not assessing and measuring how your firm identifies gaps in adviser skills and knowledge or the quality of the training could lead to poor advice. Not measuring key indicators such as persistency rates, replacement business and complaints may hide issues which could develop into larger problems later. These failures could lead to costly remedial action or regulatory discipline in the future.

Assessing information gathered from key areas such as recruitment and training and competence, helps you measure the standards within your firm, identify risks, highlight where standards can be raised and helps to protect your business.

Advice process

Can you identify the:

- Spread of products by type, provider, risk rating or commission levels? Can you identify potential bias?
- Type and level of advice given (for example, full or focussed) and if this fits with your service and customers expectations and business model; and
- The level of recommendations that are not income-earning recommendations?

Failure to assess and measure your standards throughout the advice process – for example KYC, research and communications with customers could impact on the quality of advice you give and lead to costly remedial actions or regulatory discipline in the future.

Monitoring sales to assess the potential for product or commission bias and considering the level of non-commission earning recommendations, such as debt reduction, will help you to establish the impartiality of your advisers and the appropriateness of the recommendations being made.

Quality control and compliance

- Can you identify concerns at each stage of the advice process – for individuals and across several advisers?
- Does your file check evidence that appropriate research has been completed (e.g. product, provider, type of investment etc)?
- Does your file check enable you to assess the quality of advice and if customers were treated fairly?
- Where remedial action is required, are you satisfied it is appropriate and adequately monitored?

Completing compliance checks as a tick-box exercise only will not enable you to assess the quality of advice provided and establish that your customers have been treated fairly. By adopting this approach and failing to act appropriately on any findings you cannot demonstrate that you are proactively taking responsibility for your firm's activities. This could lead to costly remedial actions or regulatory discipline later.

Post-advice/ongoing service to customers

- Where you offer an ongoing review service, do you measure if your firm delivers on this promise to customers?
- Where there has been a change in customers circumstances, do you consider the ongoing suitability of previous advice?
- If you use customer surveys, do they enable your firm to recognise if the customer has been treated fairly, rather than just taking account of their feedback on the service received?

If you don't monitor the level of regular reviews undertaken (where the firm has committed to doing so) you will not be delivering on promises made to customers and therefore not treating them fairly. You could also lose revenue if the customer chooses to go elsewhere for future advice.

If you offer your customers or staff the opportunity to feedback on your service, assess the type of questions being asked and measure the responses so that you get maximum benefit from the exercise. As well as customers telling you they are happy with the firm, you should be able to establish if they have been treated fairly. A satisfied customer is not necessarily one that has been treated fairly.

Financial promotions

- Are you measuring how effective your sign-off process for financial promotions is and if it enables you to identify any areas of concern?
- Are you measuring and analysing customer queries or complaints received about your financial promotions?

If you don't assess the content of financial promotions or monitor them to ensure compliance, your customers may receive unfair, unclear and misleading financial promotions. This increases the potential for complaints against your firm and could also lead to costly remedial actions or regulatory discipline in the future.

Measuring the impact that financial promotions have on your business could positively affect your firm's profitability and resources.

Complaints

- Are you satisfied that all staff can recognise a complaint and record these?
- Do you measure the number of complaints received by type, product and adviser? Can you identify trends?
- Are you measuring how effective and fair your complaint handling processes are?
- Do you consider and act on lessons learned from complaints received?

Not analysing and acting on complaints in terms of numbers, content, adviser responsibility and handling could affect your ability to identify current and future serious and/or systemic issues which could imapct on the quality of advice you give and how the firm treats its customer. It may also lead to costly remedial actions and or regulatory discipline in the future.

Financial information (including remuneration strategy)

- Do you know what the firm's financial resources regulatory requirement is and what the firm's financial position is right now?
- Have you considered what impact your remuneration strategy could have on the advice you provide to customers?

Not monitoring the firm's financial position is a failure to demonstrate that it is meeting its regulatory requirements at all times. Failure to assess the type of remuneration structure in place means you will not be able to identify if that structure could encourage inappropriate recommendations to customers.

Systems and controls

- Do you review regulatory breaches? Do you take (and record) appropriate action?
- Can you measure the firm's general compliance and whether it has adequate systems and controls for its key activities?
- Are you confident that the firm always acts on its management information appropriately?

If you don't assess the roles and responsibilities of individuals within your firm and take steps to ensure that individuals have the competency, resources and support needed to deliver on the standards and objectives you have set, it will be difficult for you to identify weaknesses and resource issues. This could lead to costly remedial actions and or regulatory discipline in the future.

Part of having good systems and controls is measuring performance and standards of the business and its employees, identifying risks that could have a negative impact on your business and doing something about them. This can help to protect your business and can benefit the firm from a commercial side as well as a regulatory one.