

January 2013



Financial advice changes **1-2-3**



www.fsa.gov.uk/advicechanges

[@FSAconsumerinfo](https://twitter.com/FSAconsumerinfo)

We have made three big changes to the way you get advice from financial experts. See what this means for you and your money.

Giving you confidence and trust in financial advice

Whether you need help with your savings, investments or pension planning, or just want to make your money go further, you should know how much financial advice is costing you and what service you are receiving.

We have made improvements to the way you get financial advice. Changes that came into effect on 31 December 2012 mean you will:

1 Know how much advice costs

Advice has never been free. You may not have realised but if you received financial advice before our changes came in you probably paid 'commission' to your adviser. This generally came from the company providing the product paying your adviser a percentage of the sum you invested.

Instead of you paying commission on new investments your financial adviser now has to be clear about the cost of advice and together you will agree how you will pay for it.

This way you know exactly what you are paying and that the advice you receive is not influenced by how much your adviser could earn from your investment.

This will help you to shop around and compare the true cost of advice.

See page 5 for more about commission and costs.

“ Advice has never been free ”



2 Know what you are paying for

There are many ways to invest your money and financial advisers can either advise you on all products that may be right for you or only focus on certain areas, such as pensions.

Your adviser now has to make clear which products they can advise you on and whether they can consider any firm across the market or only some product providers.

The difference between these types of advice is known as 'independent' and 'restricted'.

See page 5 for more on independent and restricted advice.



We have increased the minimum professional standards of qualification that financial advisers have to meet



3 Get improved professional standards

Some investments can be hard to understand. So we have increased the minimum professional standards of qualification that financial advisers have to meet to ensure their knowledge is up to date.

Financial advisers also have to sign an agreement to treat you fairly.

We will monitor firms to make sure they meet these new standards.



What is 'independent' and 'restricted' advice?

Financial advisers that provide 'independent' advice can consider all types of investment products that might be suitable for you. They can also consider products from all firms across the market.

An adviser that has chosen to offer 'restricted' advice can only consider certain products, product providers or both.

Your adviser now has to clearly explain to you whether they offer independent or restricted advice.

How much does advice cost?

Your adviser now has to clearly explain how much advice costs and together you will agree how you will pay for it.

This could be a set fee paid upfront or you may be able to agree with your adviser that they can take the fee from the sum you invest.

How did commission work?

If you received financial advice before our changes came in your adviser probably received 'commission' on the investment you bought. The company providing the product would have given your adviser a percentage of your investment – typically 1% to 8%, or sometimes more on a lump sum investment.

So for an investment of £10,000, your adviser could have received between £100 and £800 commission.

What should you do now?

Next time you see your adviser you should ask how much you have been paying for their advice and how much that same advice now costs.

They should also be able to explain how the changes to the way you get and pay for financial advice affect you, and whether they offer independent or restricted advice.

Useful contacts

Financial Services Authority

We regulate financial services firms and advisers in the UK to help protect your money.

www.fsa.gov.uk/consumerinformation

0845 606 1234

Money Advice Service

Provides unbiased information and tools to help you manage your money better.

www.moneyadvice.service.org.uk

0300 500 5000

The Pensions Advisory Service

Offers independent information on state, company, personal and stakeholder pensions.

www.pensionsadvisoryservice.org.uk

0845 601 2923

This guide is available in Welsh language on request.

Mae'r canllaw hwn ar gael yn Gymraeg ar gais.

Also available in large print, Braille or audio format, or by calling us on 0845 606 1234.



Financial Services Authority

www.fsa.gov.uk/advicechanges

 [@FSAconsumerinfo](https://twitter.com/FSAconsumerinfo)