



## UK Social Investment Forum

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**UKSIF submission:  
25 April, 2003**

### UKSIF Response to CP166 – Reforming Polarisation: Removing the Barriers to Choice

**To:** Conduct of Business Standards, The Financial Services Authority

Our response to CP166 is informed by our retail product provider and IFA members and focuses on those aspects which we believe affect the ethical/ socially responsible investment market.

[UKSIF's response to the preceding consultation, CP121](#), is enclosed and can be viewed on our website at [www.uksif.org](http://www.uksif.org).

#### ***Commission-based remuneration for independent advice***

Further to our response to CP121, UKSIF welcomes the proposal that 'independent advice' may be remunerated through commissions and other methods as well as fees. Consumers should be able to choose their method of payment and access to independent advice should not be restricted to consumers who pay fees.

#### ***Q7. Does the initial disclosure document meet the key information needs of consumers?***

UKSIF broadly welcomes the introduction of the key facts/ initial disclosure document about investment services. However, we are concerned that the current draft does not have space to advise the consumer about any specialist areas of advice offered by the firm or adviser, such as tax, mortgages, pensions or ethical/ socially responsible investment.

The consultation stresses that the Key Facts document should 'make it clear to consumers what type of service that firm is able to offer them' and provide 'relevant core information' to 'help them decide whether the services offered by a firm are right for them' (see paragraphs 1.6 and 8.14). An understanding of the specialisms of the firm and their advisers is essential for this and we strongly recommend that a section or tick-box on specialist areas of advice is incorporated into the key facts document.

As nearly 500,000 individuals (>5% of the investing population in the UK) now hold ethical/ socially responsible investments, we feel there should be space for ethical/ socially responsible investment advice within this section. We also request clarification that firms would be able to include 'Ethical/ Socially Responsible Investments' in their 'Product Range' list at the back of the Key Facts document.

#### ***Suitability***

Chapter 4 of CP166 discusses liberalising the current tied sector and highlights COB rules around 'suitability'. We feel the concept of 'suitability' should take into account a client's social, ethical and/or environmental concerns in product recommendations as these factors may constitute key suitability criteria for some consumers. Our forthcoming response to CP170 discusses this in more detail in relation to product disclosure.

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### **Training and Client Fact-Finds**

The inclusion of a 'specialist advice' section which has space to list ethical/ socially responsible investment advice and our interpretation of 'suitability', are natural extensions to recommendations made in the 'Advice Skills and Needs Identification' module proposed in 'CP157 - Examination Framework for Retail Financial Services'.

UKSIF welcomes the inclusion of 'ethical awareness' and 'lifestyle issues' within the 'Advice Skills and Needs Identification' module. We hope that training for financial advisers will incorporate guidance on ethical/ socially responsible issues and investments to ensure that they can respond appropriately to the growing number of clients who seek to integrate such concerns into their financial decision making.

Furthermore, we hope the FSA will recommend that firms include a question on whether a client has any environmental, ethical or social concerns, or particular issues with certain companies, within the fact-finding process. Indeed, we note that the Australian Securities & Investments Commission (ASIC) recently asked 'whether there are any circumstances where an adviser preparing and providing personal advice on investment products would not have to inquire about a client's views on labour standards or environmental, social or ethical considerations' in their December 2002 consultation on the Australian disclosure guidelines.

UKSIF will be addressing the above issues within our forthcoming '*Retail Revolution*' programme. The programme includes the development of guidelines for financial advisers to help them phrase values-based questions in their client fact-finds and develop their understanding of product choice and suitability. Work on the guidelines will be informed by both 'mainstream' and specialist IFA's and product providers. The *Retail Revolution* programme will also help promote the adoption of the European Sustainable and Responsible Investment Forum's pan-European transparency guidelines for retail SRI funds. Further details are provided on the enclosed programme outline.

UKSIF is grateful for the opportunity to respond to CP166. Our response is based on the Forum's mission to support and encourage the development and positive impact of ethical/ socially responsible investment. It does not necessarily reflect the views of every Forum member.

Should you have any questions regarding the issues raised above, please do not hesitate to contact me. I look forward to your response.

Yours sincerely

**Helen Wildsmith**  
Executive Director  
UK Social Investment Forum

### **Enclosures:**

- [UKSIF response to CP121: Reforming Polarisation: Making the market work for consumers](#)
- [UKSIF 10th Anniversary Review - including list of UKSIF product provider and IFA members](#)
- [Retail Revolution – programme outline \[full details available Summer 2003\]](#)

### **See also:**

- [UKSIF Response to CP170 - Informing consumers: product disclosure at the point of sale \(May 2003\)](#)

The UK Social Investment Forum (UKSIF) is the UK's membership network of stakeholders in socially responsible investment (SRI). UKSIF's 250+ members and affiliates include institutional investors, product providers, independent financial advisers, banks, consultants, NGO's and individuals interested in SRI. UKSIF also provides the secretariat to the All-Party Parliamentary Group on Socially Responsible Investment. Further details on our aims, activities and membership can be found on our website at [www.uksif.org](http://www.uksif.org) or see the enclosed 10th Anniversary Annual Review.

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