

Putting the emphasis on ethics

A key part of financial services industry takes itself in hand

DAVID JACKSON

THE Financial Intermediaries Association of Southern Africa (FIA) has launched a campaign against unethical behaviour and inadequate financial advice — and says it is prepared to play the role of “whistle-blower” in enforcing these business principles.

The stance by the FIA comes against the backdrop of new consumer-related legislation — the Consumer Protection Act and the Financial Services Board’s (FSB) “Treating Consumers Fairly” initiative — that will change how suppliers of products and services are required to interact with consumers.

“We have refreshed our code of conduct. It is now even more consumer-orientated than before and we are determined to enforce it,” says FIA president Seamus Casserly.

“We aim to be proactive in the reporting of poor conduct and we are declaring war on inadequate financial advice and unethical behaviour.”

This campaign is not restricted to action against transgressors within the FIA membership, Casserly says, “but we will whistle-blow on registered parties who are unethical, whether they are members of the FIA or not.”

“It is an ethical interpretation, rather than a legalistic interpretation of what we should or should not be doing.”

“Few people read the fine print in disclosure notices... there needs to be an absolute moral position spelled out and our membership is actively encouraging this, taking the view that the letter of the law is insufficient.”

“Where there is an obvious reason for nonpayment of a monthly debit order — the death of the bread-winner — it is totally unethical to cancel the policy on those grounds, if you are in knowledge of that particular position.”

“There are the right things to do and the legally correct things to do — we are doing the right things and we are encouraging our members to do the same.”

Casserly says that the Financial Ser-

vices Board’s Treating Consumers Fairly initiative emulates the undertaking of the Financial Services Authority in the UK, and is an extension of the moral and ethical position that the FIA has firmly endorsed.

Casserly says that changes are expected on issues such as disclosure and conflict of interest.

“Conflict of interest is the overarching component. If you have a conflict situation, you cannot represent the supplier of the product and the customer in the same transaction.”

“So brokers will be forced to choose whether they represent the insurer as a broker and product supplier, or whether they act as an independent intermediary, placing the business with the supplier that best suits their customer’s particular circumstances,” he says.

Another important development linked to industry knowledge will be the introduction of examinations that will have to be completed by all 300 000 registered financial services providers.

“These exams will test their knowledge of the regulations, as well as a basic technical competency in their particular insurance industry segment.”

Casserly says “Depending on what you are licensed to sell, you will be obliged to write certain examinations, or lose your licence.”

He said “We welcome these developments from an FIA perspective. We see too many examples of a lack of professionalism. The more professional that we aspire to be, the more the requirements of professionalism become necessary.”

“It is very good for us to be an industry that is professionalising itself in the manner that the board is requiring us to do.”

“You cannot protest about legislation that is ultimately in the consumers’ interests, and that there will be a better product put out to the customer... to complain about such legislation would be contrary to the common good. In that context we embrace it.”



TO BE SURE: Seamus Casserly, president of the Financial Intermediaries Association of Southern Africa

Picture: JEREMY GLYN

Law strikes big blow in battle against spam

DAVID JACKSON

THE Consumer Protection Act (CPA) explicitly protects consumers from undesirable marketing practices such as aggressive product promotion on the back of a service or product acquired by the consumer from a service provider.

Such marketing approaches now have to be expressly agreed to by customers, or rejected as the case may be. This applies to all products and services.

“This is a significant change that removes the unwanted spam element from peoples’ lives,” says Chris Buschauer, an FIA director and chairman of financial planning on the organisation’s executive committee.

“Over the next few months we are likely to see a huge drop in the quantity of product spam received by consumers.”

The act specifically provides for a “cooling off” period to allow consumers the option of discontinuing a transaction, within the first week of having signed an agreement or contract.

“This becomes very relevant in instances where a consumer may have signed a debit order covering instalments or placed a capital sum in a financial product such as a unit trust purchased through the financial planning sector, for instance,” Buschauer says.

He adds that certain products and services within the financial sector — particularly the life assurance areas — are effectively regulated by the Financial Advisory and Intermediaries Services (FAIS) Act. These products and services are exempted in terms of the CPA.

Others, not regulated by FAIS, will be regulated by the new act, so the two pieces of legislation complement each other.

Non-financial products, such as motor vehicles or household goods, are not subject to the FAIS regulations. Hence a much wider structure has been instituted in the form of the Consumer Protection Act “but with a mind-set that is on the same path as FAIS,” Buschauer says.

He says the concept of “consumer centricism” has been dominant in the financial planning industry for a number of years, Buschauer says.

Buschauer adds that the act and the spirit of FAIS will make it essential for financial planners to gain the trust of consumers when planning their financial affairs.

“In many ways this is the fundamental aspect of the consumer-centric approach, which is to develop a



BLOCKED: Chris Buschauer, a director of the FIA and the chairman of its financial planning exco

Picture: JEREMY GLYN

relationship between the financial planner and consumer, whereby the consumer can see the benefit of such an ongoing business relationship.”

He says that the financial planning industry is already regulated to a considerable degree.

Financial service providers have to be registered with the Financial Services Board and are subject to a range of financial industry regulations and requirements.

“In future these will undoubtedly include the provisions of the Consumer Protection Act, and any transgressions by financial service providers could put their registration at risk.”

“There will be a need for service providers to have systems and documentation in place that comply with all the various new regulatory aspects and, perhaps more importantly, satisfy consumer needs.”

Buschauer says.

He says the FIA has traditionally been involved in

the providing of information on regulatory issues and consumer centricism to its members, who range from independent financial advisers, often operating as small businesses or practices, through to structured broking houses, such as banks and other financial institutions.

Financial product houses, such as life assurance and investment product companies, among others, also provide ongoing information to intermediaries.

“In turn, the FIA has the resources to gather information from the large broking and product houses — and also from its own research — and to put this out to all relevant stakeholders.”

“There has been a great deal of preparation taking place in advance of these legislative and regulatory changes, Buschauer adds, “and I don’t believe that it will be a huge leap for financial planners to make when these changes are rolled out over the next few months.”

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