

## **Watch your back**

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As it is now pantomime season, it is not uncommon to hear shouts of “He’s behind you”. “Oh no, he’s not”. “Oh yes, he is”. Well for some in the financial services sector, this is all too true, especially if you are a small firm. The FSA is on the trail of many small firms and this is no joke.

At the beginning of this month, the FSA published yet more review findings that openly criticised small firms for not doing enough to ensure that their appointed representatives are treating their customer fairly. There are about 1650 small firms with appointed representatives and this year the FSA carried out 102 visits to 35 directly authorised firms and 67 of their appointed representatives.

The FSA reviewed systems and controls, recruitment, training and competence and treating customers fairly. The poorest standards overall were found within general insurance firms, with better findings for mortgage firms and with the best findings with investment firms. As a result, four firms are being considered for referral to enforcement and another 11 firms will be visited again to check on their remedial action.

The FSA’s key areas of concern with the review findings are that some firms are not following their own written procedures, some firms place too much reliance on the remote checking of client files as the only method of monitoring their appointed representatives, some firms show poor progress with TCF and are ineffective with communicating TCF to their appointed representatives and some firms do not have sufficient management information to test whether their appointed representatives are delivering TCF outcomes and working towards the December 2008 deadline.

The FSA has now published a factsheet for principal firms and has also published examples of good and bad practice. It looks like the FSA is gearing itself up to conduct further supervisory visits and telephone contact and ultimately its findings could lead to the regulator taking further enforcement action against small firms. It’s behind you.

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