

# December Update

## *for professionals*

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#### Stockbrokers

Citywire has reported that the Association of Private Client Investment Managers and Stockbrokers is proposing to change its name to the Wealth Management Association. Clearly, the stockbroker brand has lost its cachet and investment is increasingly being seen in its true light, as a component in the wider picture of financial planning. Unfortunately, many solicitors entrusted their clients' and trusts' funds to stockbrokers who invested in individual securities almost regardless of the size of the portfolio. The result is high risk and under-diversified portfolios which now need to be reviewed and perhaps reinvested in collectives – but not by a converted stockbroker!

#### Legal compliance software

Software systems designed to assist solicitors with OFR compliance are proving popular, and Lexcel membership is at last starting to take off. Firms are doubtless taking comfort from the Law Society's promise to stand behind solicitors who avail themselves of its recommended support services if they fall foul of the SRA. But there is a danger that such systems will lead to the assumption that compliance can be delegated to COLP and COFA, whereas financial advisers have learnt that responsibility for ensuring that compliance becomes embedded in firms' culture rests with management, who have much to gain in an increasingly commercial world from embracing the required systems and controls.

#### Quote unquote

From Nils Christiansen, former PwC accountant, now a director of Guildford-based ABS DR Solicitors (Solicitors' Journal, 10/09/13) *"It's a question of making the most of your client base and providing other services which they (clients) find valuable"*. Closer relations with professional financial advisers tick both boxes, providing the basis for on-going regular client relationships and a more comprehensive and attractive business proposition. But why does it take an accountant to tell solicitors what is obvious?

#### SIFA Legal on Twitter!

A new Twitter account has been opened @Sifa\_Legal with news and views for solicitors interested in distinguishing themselves from their competitors by offering a joined-up legal + financial client service.

#### Activities-based regulation

The suggestion by the Legal Services Board that regulation should become activities-based has now been followed by the Solicitors Regulation Authority suggesting that a generic solicitors' qualification may become inappropriate. With non-solicitor entrants into the legal market offering diverse business propositions, it may be that the solicitor brand will have too limited consumer appeal and will more appropriately be used to identify individuals distinguished by their ethics, independence, legal reasoning, respect for and understanding of the rule of law rather than to describe businesses. Sir Nigel Knowles of DLA Piper saw the writing on the wall three years ago, when he wrote *"The past two years have witnessed .... a desire for holistic advice from advisers, as opposed to individual services in silos delivered on a transactional basis. This means that law firms must re-shape their relationships with their clients so that they become trusted advisers"*. For private client law firms, offering access to financial advice provides the basis for the holistic trusted adviser proposition.

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### **Cashflow forecasting**

Another facility available through SIFA member firms is cashflow forecasting software, which projects the length of time for which a given sum of money or portfolio of investments will provide a required income, given alternative assumptions as to the types of investment which are used, the associated investment returns and possible levels of interest rates and inflation. Such systems are invaluable for personal injury work and also have an important role to play in relation to later life planning, trusts, family work and redundancy.

### **SRA and client referrals**

It is now almost 12 months since the SRA announced its unfathomable decision to abandon the principle that client referrals for financial advice must be confined to independent firms. So what has happened, we were asked, in the meantime? First, as predicted, the FSA's purported re-definition of the word "independent" is understood by no one outside the financial services community, and even there interpretations vary. So much for assisting consumers! Secondly, most firms are aware that tied and multi-tied financial advice is unlikely to serve their clients' best interests, and the new latitude to refer to "restricted" advisers seems to have had little impact. But thirdly, and most importantly, solicitors are much more aware of the Outcome 6.3 requirement to conduct due diligence on referees and, in accordance with Principle 8 and Chapter 7 of the Code, to ensure that the resulting conclusions are implemented and adhered to throughout the firm.

### **SRA discourages MDPs**

The Legal Services Board has criticised the SRA for failing to encourage multi-disciplinary ABS. According to the LSB, business services firms have been the least successful applicants for ABS licences, with 35% of applications granted. The next least successful were accountants and financial advisers, of whose applications only 40% were granted. The SRA made clear its unwillingness to accommodate combined legal and financial businesses as early as 2010, with the result that most Authorised Professional Firms have now hived-off their financial services units. The objective of the "one-stop-shop" envisaged by the Legal Services Act has thus been thwarted, and most solicitor ABS have been confined to the provision of legal services. Such legal + financial ABS as have been established have taken the form of parallel firms with common ownership and/ or management, but an increasing number of law firms have circumvented the SRA hurdle by establishing joint ventures with IFAs, which avoid the complications and cost of an SRA application.

### **In-house training on Outcomes Focused Regulation**

COLPs and COFAs are responsible for ensuring that other members of their firms understand and comply with the requirements of OFR and play their part in ensuring that a compliant environment prevails in their firms. SIFA has produced a set of 34 Powerpoint slides for presentation by COLPs to their staff, and these are available on request from SIFA Trusted Adviser IFA firms. Also available are slides for use by Money Laundering Reporting Officers, which are complemented by a Q&A test, with model answers which staff must be seen to have completed satisfactorily before being signed-off as successful candidates.

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