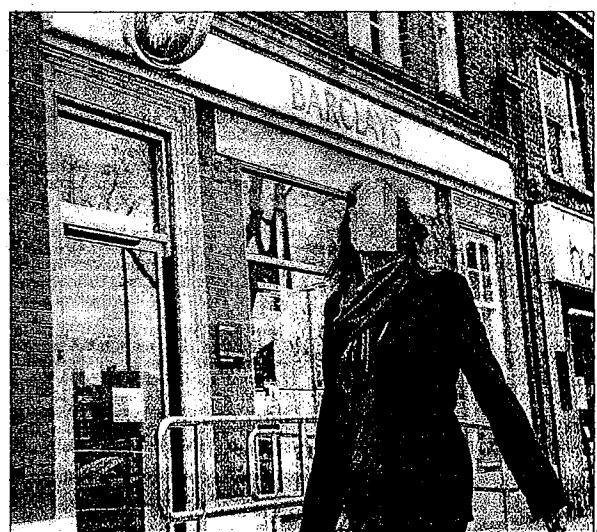


FARCICAL SESSIONS WITH SALESMEN



HORRIFIED: Michelle Birkett lost sleep after she learnt what Barclays had done

YOU are unlikely to want to go to a doctor who is allowed to prescribe drugs from only one company and who is paid by that company to run his practice.

The idea is laughable, but that is the analogy drawn by many genuinely independent financial advisers (IFAs) and planners when they compare themselves with thousands of 'pseudo advisers' employed by banks or other firms selling financial products.

The world of financial advice is changing. The Financial Services Authority is reviewing how advisers – or salesmen – must describe themselves. The FSA says it wants the public to understand the nature of the advice they are getting and how they are paying for it.

No new rules have been introduced, but the FSA's outline scheme is already under fire for creating confusion and favouring the interests of insurers, among others.

Chris Cummings of the Association of Independent Financial Advisers, representing IFAs' interests, says: 'Rules don't need to be complex. The issue boils down to one simple question – is the adviser working for me the client, or for someone else?'

Independent advisers and planners are paid by their clients and work for them. 'Tied' advisers, working for banks such as Barclays, or other firms such as St James's Place, the UK's biggest 'wealth-manager', can sell only a limited range of investments, on which they earn commission. They are effectively paid by their firm to sell investments.

Cummings says: 'If advisers are working for the clients, those clients should expect to pay for advice – not to pay indirectly only when a sale is made via com-

By **RICHARD DYSON**

mission. In return, they should get advice that covers the whole of the market.'

Financial planner Saran Allott-Davey, of independent financial practice Heron House Financial Management in Newport, South Wales, charges £175 per hour. Her advice covers all aspects of a client's finances.

'It's about understanding the wider family's finances too,' she says. 'I have no need to clinch a profitable financial sale. I want to create a relationship with the client where they are happy with investments they make and fully understand them.'

'No one knows what will happen in the future, and no one wants to take risk unless they have to. Those are difficult issues to explore.'

ADVICE DISASTER 1

DIVORCEE, no income or pension, and zero tolerance of risk. Only asset: Sale of the former marital home.

ADVICE: Barclays Financial Planning recommended she invest the entire sum in a single fund.
COMMISSION PAID: £20,000.

MICHELLE Birkett, 50, divorced her husband in 1999 and supported herself and her three children on a modest maintenance. By 2006, with the children grown up and the maintenance set to fall, Michelle, from Amersham, in Buckinghamshire, sold the home. The money was needed to buy her a new property and support her as far as possible into retirement.

With the money in her bank account, Barclays staff were eager to give her

EARNING FAT COMMISSION – THE COSTLY TRUTH BEHIND SOME PSEUDO-INDEPENDENT HELP

No advice at all for a £12,000 fee ... but that is normal says the adviser firm



advice on how to invest it. And because in 1989 to fight for refunds for older people who had been tricked into equity release schemes, says: 'Barclays knew from the outset that the advice given was indefensible but dragged their investigation out for months.'

'When Michelle first phoned complaining, nothing happened except the salesman came back and told her a pack of lies.'

OUTCOME: Financial Mail has learned – though Barclays refuses to confirm – that the bank has since sacked the adviser, conducted a review of similar cases and disclosed the problem to the FSA. In a written statement to Financial Mail, Barclays admits: 'The advice given did not suit the customer's circumstances and needs. An offer has been made which is designed to place the customer back in to the position she would have been in had the advice not been provided.'

Amazingly, Barclays did not return many of Michelle's frantic phone calls. She eventually engaged Paul Cooper of loanprotectionclaims.com to help pursue

her case. Cooper, who set up his business in 1989 to fight for refunds for older people who had been tricked into equity release schemes, says: 'Barclays knew from the outset that the advice given was indefensible but dragged their investigation out for months.'

'When Michelle first phoned complaining, nothing happened except the salesman came back and told her a pack of lies.'

OUTCOME: Financial Mail has learned – though Barclays refuses to confirm – that the bank has since sacked the adviser, conducted a review of similar cases and disclosed the problem to the FSA. In a written statement to Financial Mail, Barclays admits: 'The advice given did not suit the customer's circumstances and needs. An offer has been made which is designed to place the customer back in to the position she would have been in had the advice not been provided.'

Amazingly, Barclays did not return many of Michelle's frantic phone calls. She eventually engaged Paul Cooper of loanprotectionclaims.com to help pursue

ADVICE DISASTER 2

SINGLE woman, retired, not financially sophisticated, needing to preserve her capital and draw a modest income.

ADVICE: Through wealth management firm St James's Place, she invested a substantial sum in funds exposing her to both currency and stock market risk.
COMMISSION PAID: More than £12,000.

DIVORCEE Patience Lacy-Smith came across St James's Place via a long-standing acquaintance who was an SJP partner. Patience, from Minehead in Somerset, admits she is not a financial expert. She asked the SJP representative for help and in 2006 Patience's money was invested in three SJP funds, including one invested in risky Far East shares.

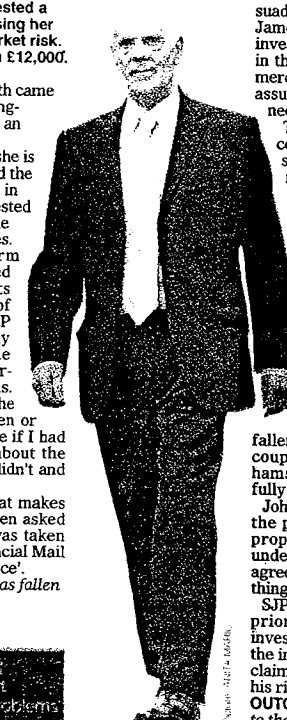
Last year, as financial storm clouds gathered, Patience asked questions about her investments and then, realising the scale of her losses, complained. SJP claimed it had not given her any advice after all – but that she had chosen the investments herself on an 'execution-only' basis.

Patience, in her 60s, says: 'The statement "no advice was given or sought" can only have been true if I had known a substantial amount about the stock market, which clearly I didn't and still don't.'

SJP says it has paperwork that makes clear no advice was given. When asked why substantial commission was taken although no advice given, Financial Mail was told this was 'normal practice'.

OUTCOME: Patience's capital has fallen 35 per cent. The case is with the Financial Ombudsman Service.

FIGHTING: Patience Lacy-Smith, with daughter Anna, and John Cook, below, are taking their cases to the ombudsman



ADVICE DISASTER 3

RISK-AVERSE couple ready to retire using the proceeds of the sale of their business.

ADVICE: St James's Place recommended that all the money be invested in a small commercial property fund.
COMMISSION PAID: £6,000.

WHEN John and Jill Cook sold their coffee supply company in 2006 they had little idea of what to do with the money, except perhaps to put it toward buying a property to let.

Over a number of meetings with their St James's Place 'partner' they were persuaded instead to put all the money in St James's Place Property, a new fund that invested in small commercial properties in the UK. Having never heard of commercial property funds before, the Cooks assumed the investment matched their need for income and aversion to risk.

They signed up, triggering £6,048 in commission to the SJP 'partner'. The sales staff are not partners in any technical sense. They are self-employed and with differing levels of financial qualifications. They are not paid by clients for giving advice, but by the company for selling a limited range of financial products.

The Cooks say they did not understand this at the time and that they would not have used SJP if they had known the advice was not independent.

The Cook's investment meant that more than half their total wealth, excluding their home, was invested in a single commercial property fund. It has since fallen almost 40 per cent in value. The couple, from Southwell in Nottinghamshire, claim the risks were never fully explained.

John, 50, says: 'Reference was made to the past performance of commercial property. But we feel SJP seriously underplayed the risks, resulting in our agreeing to make an investment in something we had no knowledge of.'

SJP says: 'The documentation provided prior to and immediately after the investment fully explained the nature of the investment. The issues that Mr Cook claims were not addressed, for example his risk profile, are clearly covered.'

OUTCOME: The Cooks will take the case to the Financial Ombudsman Service.



SKILLED HELP: Lynn Spencer

I learned that I had

ADVICE SUCCESS

WIDOW needing substantial help with pension and estate planning.
ADVICE: A broad range of investment and tax planning, including investments in cash.
COMMISSION PAID: None. Advice charged at £150 to £225 per hour.

LYNN Spencer, 50, lost her husband in 2005. With complex pension, shareholdings and other arrangements to come to grips with, she needed

things about myself not known before

skilled and qualified help. Lynn and her husband had sought help from Broadway Financial Planning in Broadway, Worcester, a small, independent practice of just two financial planners. She was extremely grateful for their help.

'It was very complex planning,' says Lynn, who lives in the region. 'Together we addressed every issue.'

'In particular, we explored my attitude to risk. I think it's very difficult to know how much risk you are prepared to take. In answering some of their questions, I learned things about

myself that I hadn't known before.' The firm established trusts and made other provisions for Lynn's two children and two stepchildren. She now sees Broadway twice yearly, but says: 'They are always at the end of the phone.'

OUTCOME: The market falls have not spooked her. 'These are rogue markets, where the unexpected is the norm,' she said. 'She values her relationship with Broadway. They are encyclopedic in their knowledge of finance,' she says. 'And they know me and my family well, too.'

Are you the victim of bad financial advice? Tell us at thismoney.co.uk/advisor-problems