

**Role of the Financial Services Authority:
Individuals as financial decision makers come a poor second**

The United Kingdom Shareholders' Association (UKSA) is concerned that the Financial Services Bill currently before Parliament serves only to entrench the current inappropriate emphasis given to the FSA as the leader of consumer education.

The contents of the drafted insert to FSMA 2000 – Clause 6A(2) ("Enhancing public understanding of financial matters etc.") – defines the main activities of the new Consumer Education Function as follows:

The consumer financial education function includes, in particular—

- (a) Promoting awareness of the benefits of financial planning;
- (b) Promoting awareness of the financial advantages and disadvantages in relation to the supply of particular kinds of goods or services;
- (c) Promoting awareness of the benefits and risks associated with different kinds of financial dealing (which includes informing the Authority and other bodies of those benefits and risks);
- (d) The publication of educational materials or the carrying out of other educational activities; and
- (e) The provision of information and advice to members of the public.

By not including here any reference to the basic principles underlining good personal financial management the Bill institutionalises a perception of savers as primarily consumers of industry products ("particular kinds of goods or services"). We recommend that 6A (2) (a) and (b) be replaced by the following

- (a) promoting an understanding of the basic principles of personal financial management, including management of debt, control of spending, living within an income and protection against disaster
- (b) promoting an understanding of the basic principles of planning for the future, including the process of saving to meet financial objectives

The current drafting of the Bill reinforces our concern that the interests of the citizens of the UK, as financial decision makers responsible for their own futures, continue to come second to the interests of the financial services industry. In our opinion, some of the commonly used products and services of the financial services industry amount to a mechanism for extracting significant wealth from an unknowing consumer population, especially when compared with the option of holding the underlying investments directly. This wealth extraction is, in the long term, devastating to the saver.

This leads to our second recommendation, which is that the Consumer Education Function is established independent of the FSA. It may be that the Financial Services Consumer Panel, if given an appropriate budget, could fulfil this function as well having the resources to become a pro-active public voice for individuals but not industries. Subtle reforms such as improving public understanding of financial matters take a long time to have an effect, and we would urge Parliament to place the interests of individuals above the many, well resourced, submissions made on behalf of the financial services industry.

December 2009