

Post-RDR survivors hunt each other out

Story by: Joy Dunbar

Regulatory changes mean there will be more strategic relationships between product providers and advisers as they pick and choose their IFA partners, according to Jon Sadler, an IFA with specialist pension provider Alico.

Mr Sadler said that product providers are developing relationships with those adviser firms that providers think will remain the industry after the FSA's retail distribution review.

He said: "Product providers want to have a relationship in 2013 with the right adviser, but they want to know which ones are going to be left and how they capture distribution relationships with the right ones.

"As a product provider we do not know in what position the adviser market will be in 2013. Providers are trying to find out who is going to stay, and will create new products for this marketplace.

"Providers are designing new products to have their business right for 2013 and that is the reason why we developed the select range. The advisers that are left will be in a strong position."

His comments were echoed by leading providers Fidelity, Standard Life and Axa Winterthur Wealth Management.

Ed Dymott, head of UK fund partners for Fidelity, said that regulatory changes act as a catalyst towards market trends.

He said: "There has been consolidation in the IFA market. The top 50 IFA firms write up to 60 per cent of all business and the top 350 businesses in the market write up to 80

per cent. We have good relationships with the top 50 and 350 advisers because those strategic relationships are very important to our business."

John Lawson, head of pensions policy for Standard Life, agreed that there would be a different relationship between the product provider and the IFA. He said: "It will put advisers in the driving seat because they will not be tied to certain product providers because of commission."

Mike Kellard, chief executive of Axa Winterthur Wealth Management, said Axa is already focusing on between 2000 and 3000 IFAs who are giving it business and who are likely to survive in the post-RDR space.

He added: "It is not that we have anything against the others, but we believe that all the IFAs we have selected will survive, will be profitable and will switch well to the fee-based model.

"From this selection, we are forming really strong relationships and the plan seems to be working. We are getting better quality business from a smaller number of IFAs. It is a proper new world trading platform."

He believes that IFAs not on Axa Winterthur Wealth Management's list will either get out of the industry or different models will spring up to support them elsewhere in the industry. He said: "IFAs will decrease in number after the RDR. Some will drop out of the system."

Carl Lamb, managing director of Norwich-based IFA Almary Green, said that the product provider will be just as challenged

as a result of the RDR, and that strategic relationships forged now would be critical to both parties in the new model adviser world.

He said: "The challenge is to find the firms that will exist post-RDR. The product providers need to have a good relationship with those advisers around post-RDR who have a strong proposition.

"We are moving towards discretionary fund management, wraps and platforms, which cuts out the provider and we expect our business to change in the next few years between passive and a active structure. The likes of a Standard Life and Norwich Union managed fund become less and less important."