

Financial Adviser, 6 October 2011

IFA backs decision to scrap long-stop

Story by: Donia O'Loughlin

Removing the long-stop for the financial adviser industry was the right decision, a Norfolk-based IFA has claimed.

Carl Lamb, managing director of Almary Green, said the contentious move to scrap the long-stop and impose continued liability meant advisers have to carefully consider their actions which could only be in the customers' best interests.

He said: "The decision to remove the long-stop was good as it makes advisers think twice about what they are doing.

"This emphasises advisers need to understand what they are doing and what they are selling. Do advisers genuinely understand the products that they are selling, such as structured products, Keydata and Arch Cru investments? If they do not, they should not be doing this."

The long-stop was not included in the Financial Services and Markets Act 2000 which created the Financial Services Authority established its regulatory powers.

One of Mr Lamb's biggest frustrations with the industry is the Financial Services Compensation Scheme levy. The FSCS has charged a £326m interim levy to the industry to pay for claims relating to Keydata.

He said: "We are having to pay for something that we have never sold in our lives as we have never sold a structured product, Keydata or Arch Cru, so why are we picking up the bill?"

"Those firms that sold those products should pick up a larger portion of the levy. If firms were selling this type of structured risk their levy should reflect that and firms should be able to provide the FSA and FSCS with this data."

Others in the industry have called for the the long-stop to be reintroduced. Zurich has lobbied the FSA to persuade it to reverse the decision.

Alan Lakey, partner of Hertfordshire-based Financial Services, has been campaigning to reintroduce the long-stop for many years.