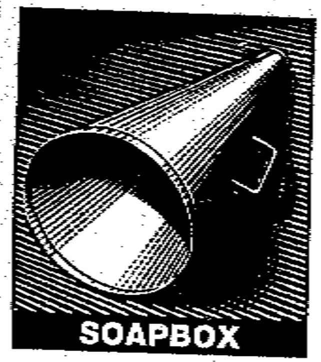

MIKE FENWICK

Allow for common sense in advice rules

Andrew Large recently predicted that "we may see a shift away from the bulk of customers placing trust and reliance on financial advisers towards a situation where more of them take full responsibility for their own investment decisions".

One of my clients has been paying the annual sum of £900 towards a personal pension for a number of years.

In March 1994, the pension provider involved used (Lautro disclosure procedures, 12 per cent growth) a projected fund of £849,000 in a review document. Yet what statistical evidence does anyone have that every product provider will achieve a 12 per cent growth in their funds consistently for the period involved for my client? Any answers?

In September 1995, (PIA disclosure procedures, the same 12 per cent growth, however) a rather more modest projected fund of £570,000 is used. In 18 months, the rules prescribe a change of some £300,000. Common sense tells me that changing figures on this scale causes doubt and doubt creates mistrust.

Would my common sense push me into using the 6 per cent basis? Maybe, but perhaps it should cause me to look not through my eyes necessarily but through those of the client.

I see that 6 per cent is double what my client's own efforts currently produce in his own business. What should common sense tell him?

Let us assume we use the 6 per cent basis. We are now looking at a projected fund of £140,000 for the same period. That is an overall difference of some £700,000. Not a lot of this makes sense to me or to many of my clients. Of course, I accept that not one of these figures was even guaranteed. But they were, and are, prescribed. They are the rules.

No matter what my common sense, let alone any skills I may possess, might tell me, I am prohibited from telling my clients what I really think. Given the scale of the differences involved, is it little wonder that, as Mr Large suggests, my clients stop trusting me.

Ultimately, Mr Large oversees the rules involved. Like the rules for so-called "best advice," the projection rules arose, in part, from a primeval swamp called equivalence. But there is not, and never has been, any equivalence between rules required to govern the provision of a product and those for the provision of advice on a product.

In essence, it was that distinction that correctly introduced the need for polarisation. Mr Large's so-called "disclosure dividend" must be predicated on that distinction.

Mr Large was right when he said there is now a need for some common sense. But when, Mr Large, will your rules allow me to give common-sense advice to my clients?

Mike Fenwick is a director at Marshall Ewart & Graham

SIMON ROBINSON

The alarm goes at 6.30am on Monday morning. I turn over to go back to sleep but I am jumped on by my children Harry and Daisy.

I am never good in the morning but drag myself out ... has meant pitching to prospective clients with a hangover after drinking copious amounts at the string of Christmas parties we attend.

Wednesday morning and