

Building trust through independent standards: Our view on an Independent Professional Standards Board

Executive Summary

The latest in the series of the CII's *Papers in Professionalism* sets out our conception of an Independent Professional Standards Board (IPSB). It reviews the proposal as it stands now, takes a critical look at some of the myths that have developed about it, sets out what a possible model IPSB might look like in the future, and explains the substantial benefits such an IPSB could offer.

Our view

As the leading professional body for those working in the insurance and financial services sector, the CII believes the industry can and is converging on the need for enhanced professionalism. An IPSB to oversee professionals operating in the retail investment market can play a major part in that process.

Public trust and confidence in the sector is low, and was being eroding long before the recent banking crisis. Mis-selling scandals and bad press have left consumers with a negative impression of the market, including financial advice. This must change.

Improved professional conduct of advisers can help bring this about. As part of an effort to improve retail investment advice, the FSA's Retail Distribution Review (RDR) is now exploring a series of proposals aiming to raise these standards including creating an IPSB to oversee the process.

Support for raised standards

There is strong support for the idea of an IPSB as part of a 'package of professionalism' across stakeholder groups: 74% of consumers believe such a board would increase their confidence in the sector; 86% of MPs believe this; and 75% of advisers believe an IPSB should be set up.

Our model IPSB

An IPSB should have several critical characteristics in order for it to act as a guarantor of public confidence and trust. It should do exactly what it says on the tin:

- Independent – it should be independent of existing regulation, and independently led.
- Standards – it should follow a single structure of professional standards.
- Board – it should have majority lay representation, and remain focused on oversight.

With these elements in place, an IPSB can play a key role in supporting improved public confidence in financial advice.

Dispelling myths

Understandably, a number of concerns about the concept of an IPSB have been raised since it first arose. However, we believe that many of these concerns are unfounded.

- Duplication of existing regulation: an IPSB would have a clearly defined statutory role, and sit above (not replace) professional bodies.
- Excessive cost: costs should be proportionate to task. The Professional Oversight Body of the Financial Reporting Council which carries out a similar function, has an annual budget of £1.5m.
- Resource intensive: the IPSB would require a small scrutiny body and secretariat to set overarching standards, leaving the bulk of monitoring to individual professional bodies.

Benefits

The debate about an IPSB should not lose sight of the substantial benefits it has to offer to consumers and professionals in the sector. We see the most important benefits to be:

- Consumer clarity and increased savings: embedding robust standards should over time leave consumers with a clear view on what good behaviour looks like and what will happen should this fall short. Increased public trust should support greater numbers of consumers feeling confident enough to enter the market and use advice, hopefully increasing long-term savings.
- Recognition of professional skills: an ethos of integrity and pride should be encouraged to replace the culture of meeting minimum compliance standards.
- Job satisfaction and professional esteem: as the industry commands greater trust and respect, job satisfaction will increase and practitioners will feel on a par with other professionals.

Time to grasp the nettle

It won't be easy, but improved standards across the board, assured by an IPSB, means a brighter future for the profession.

To read the full paper visit: www.cii.co.uk/downloaddata/PP6_IPSB_7Dec.pdf