Advocate

This month's question

Will Mifid II change the advice industry for the better?

If there is a question you would like to see featured, send it to: mm@ft.com or tweet @MoneyMgmtMag

YES

Nathan Mead-Wellings, director, Finura Partners

Mifid II will strengthen the call for firms to deliver impartial advice centred on the best interests of clients. I believe that restricted practices, and even independent advisers, can be open to certain familiarity or inertia biases in the creation of their methodology documents. This needs to change.

We must keep up with change and be held to account by our clients to deliver value for money across platforms, funds and our own advice. Mifid II must help the brightest firms rearticulate their value.

Remuneration policies should be clear and consistent; we disclose work to an hourly rate card for full transparency and have no cross-subsidy. Our fees are also mainly non-contingent, breaking the need for advice to require a product for remuneration. We believe this encourages plans, where appropriate, to remain in situ.

I think Mifid II will force parties to clearly articulate the total costs to us and our clients This should also cause investment houses to become more competitive and deliver real value, particularly in the actively managed space, which has its place, at the right price, in portfolios.

Lastly, the impact on vertically integrated firms is interesting. Is it good for the client when advice, fund management and platforms are owned by one company? Will this highlight any conflicts of interest at firms such as St James's Place or Old Mutual Wealth? Cross-subsidy should come under pressure, which I think is a good thing.

NO

Martin Bamford, managing director, Informed Choice

One of the drawbacks of operating as a smaller business within the wider financial services sector is the often-severe impact of regulation. These rules are primarily designed to keep large banks and insurance firms in check, but trickle down and hit small financial planners hard.

Where rule changes are designed primarily with advisers in mind, they can have a big impact without damaging consequences. The RDR was a good example of change aimed specifically at advisers. Many didn't like having to hold a higher standard of qualification or being more transparent around their remuneration practices. At least the changes made were (mostly) designed to improve consumer protection and client experience.

Some aspects of Mifid II rules could help prevent instances of market abuse. This isn't really an issue for the advice sector, yet we have to comply with the rules regardless. Documenting certain phone calls or meetings in a prescribed format has little relevance for advisers either, given meetings and conversations are already meticulously recorded.

What things like Mifid II achieve is diverting precious time away from delivering services to clients, so it can instead be spent on reading rule books, changing processes and then monitoring compliance. When we spend time on regulatory initiatives like Mifid, it inevitably raises our cost base and means clients have to pay more for advice. With a growing advice gap, Mifid II has no chance of changing the advice sector for the better.