



## Cummings: FSCS acted within its mandate; Davy reiterates support for Aifa

By [Alex Steger](#) | 14:42:35 | 17 May 2010

**Aifa director general Chris Cummings tells Sifa delegates he understands adviser anger with the FSCS interim levy but says the scheme acted within its mandate. Ken Davy backs Cummings and Aifa after backing a legal challenge to the FSCS.**

Chris Cummings (pictured above), director general of the Association of Independent Financial Advisers, has said he understands why some IFAs support a legal challenge of the Financial Services Compensation Scheme's interim levy but insisted such action would be in vain.

Responding to a complaint from Lee Robertson (pictured below) of [Investment Quorum](#) about the [FSCS](#) £80 million intermediary bill relating to Keydata and two failed stock brokers, Cummings said: 'We spoke to one of the country's leading lawyers who said you could only bring a judicial review where a public body acted outside its remit and not within its mandate, and the FSCS has not done this.'



Cummings' comments came days after [SimplyBiz](#) boss and Aifa director [Ken Davy broke ranks with the association](#) and backed a campaign by Gareth Fatchett's law firm Regulatory Legal to mount a judicial review of the FSCS decision to class Keydata as an investment intermediary. There are fears that the collapse of Integrity Financial Solutions may be treated in the same way, triggering a further levy for IFAs.

The FSCS has responded to the legal threat by hiring US law firm [Bingham McCutchen](#), raising concerns of further costs to be passed to IFAs.

Cummings added: 'People feel, and rightly, that asking IFAs to pay for Keydata's failure is unfair. For some people that means they want to be involved in a legal challenge and they have every right to be. Personally I have to be mindful of my members' money, and to pay for a judicial review would cost money.'

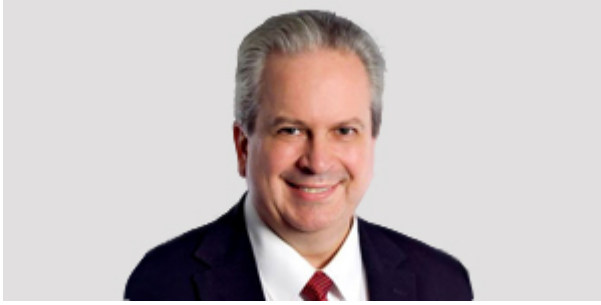
Sifa managing director [Ian Muirhead backed Cummings' stance](#). He said the FSA had told him the FSCS had been set up to be immune to legal action. Muirhead said: 'Never confuse the law with justice. If the law is bolted down there is only one thing you can do – change the law.'



Davy (above) insisted his support for Regulatory Legal did not imply any criticism of Cummings or Aifa. Posting a [comment](#) on the New Model Adviser website he said: 'I am saddened that my comments have been seen by some as anti Aifa. My statement made it very clear that I am and remain a strong supporter of Aifa and Chris Cummings and his team. They have done and continue to do a magnificent job for the IFA community and I believe every IFA should join and support Aifa. Indeed I know for a fact that actions by Aifa have secured savings of many hundreds of pounds a year for independent advisers.'

He continued: 'The particular issue here is not Aifa but the way in which the FSA in particular have classified Keydata and the knock-on effect this has with the FSCS which is then levying IFA firms on a basis which (regardless of the technical position) I believe is contrary to natural justice.'

<http://www.citywire.co.uk/adviser/-/news/adviser-news/content.aspx?ID=400129&ViewFull=True>



## **Sifa offers tool kit for forming joint ventures with other professionals**

By [Gavin Lumsden](#) | 15:09:52 | 17 May 2010

**Sifa has produced a documentation tool kit for IFAs seeking to form joint ventures with solicitors or accountants.**

The publication explains the legal and regulatory background to the various options for formal links with professional firms. It includes a range of legal documents covering agreements between shareholders, members and management, articles of association and client referral, drafted by Gavin Maddison, partner in the Leeds office of law firm [DWF](#).

Stuart Bushell, Sifa legal affairs director, said the [tool kit](#) was a response to the growing number of joint ventures between IFAs and solicitors ahead of the implementation of the Legal Services Act.

He said the timing was good as the Solicitors Regulatory Authority had just confirmed that 'alternative business structures' involving legal firms would be permissible by the time the act is implemented in October next year.

The 'documentation kit for joint ventures between IFAs and solicitor and/or accountants' is available to Sifa and Law Society members for £1,000 or £2,000 for non-members.

<http://www.citywire.co.uk/adviser/-/news/adviser-news/content.aspx?ID=400282>

## Most law firms lack the culture to instil growth, says Mowbray

By [Alex Steger](#) | 15:17:29 | 17 May 2010

**Most partners at law firms have no concept of creating capital value or growth, according to Robert Mowbray, a legal business consultant.**

Mowbray, author of *Maximising the Profitability of Law Firms*, said the long-standing culture of law firms was to fully distribute all profits.

Mowbray, a chartered accountant and partner in [Taylor Mowbray](#), said although the very best legal practices could turn a third of their turnover into profits over the long term these were a tiny minority (1-2%).

He said most law firms were not focused on business and had suffered in the recession as a result. A fall in income levels had seen the proportion of costs absorbed by salaries rise. Although overheads were high, many firms had failed to invest in technology to boost productivity (see table below).

However, more law firms saw the opportunity in the Legal Services Act to diversify into the recurring revenues of financial advice. 'There's a hunger for law firms to work in this area [financial services]. Law firms have lost revenue streams and are looking to make profits. Law firms don't try to develop long term; their structures have been designed to make maximum profit which can be distributed as fast as possible,' said Mowbray.

### 2: Law firm profitability...impact of the recession?

	Average	Bust?
Fees	100	100
Fee earner salaries	(40)	(50)
Gross profit	60	50
Overheads	(35)	(40)
Equity partner profit	25	10

Source: Taylor Mowbray

<http://www.citywire.co.uk/adviser/-/news/adviser-news/content.aspx?ID=400138>

## SIFA CONFERENCE: INTERVIEW

## Determined to make the right connections

Sifa managing director Ian Muirhead pinpoints the next step for IFAs who want to forge professional connections with solicitors: turning a one-way street into one that involves giving as well as receiving

Gavin Lumsden

glumsden@citywire.co.uk

Establishing professional connections with solicitors has been a constant source of frustration for IFAs for years but now the boot is on the other foot, according to Ian Muirhead, managing director of Sifa.

IFAs may groan that they have heard this all before. They have – Sifa has worked hard at promoting the involvement of solicitors in financial services since 1992, when Muirhead founded the support services group turned trade body.

What is different this time is the Legal Services Act which is due to take effect in October 2011 and open the legal world to external competition for the first time, with potentially dramatic consequences.

### RDR equivalent

In effect law firms are getting their equivalent of the retail distribution review more than a year before the IFA sector has to comply with the new professional regime from the Financial Services Authority.

Professor Stephen Mayson of the Legal Services Institute has forecast a third of legal firms could disappear as a result of the consolidation boom brought on by allowing law firms to be 100% owned by external shareholders (up from 25%) and permitting them to engage extensively in non-legal activities. The carnage is expected to be most evident among small, high street practices, making the comparison with the post-RDR exodus of IFAs even more apposite.

Like IFAs and small and medium-sized enterprises, solicitors have been hit hard by the recession and the property crash in particular. The downturn has cruelly exposed their transaction-based business model as income streams have dried up. The last thing they need is an imminent regulatory overhaul but that is what they are getting.

Muirhead insisted all this made

solicitors far more receptive to overtures from IFAs. 'Solicitors are having to sit up and take notice.

They are interested to an unprecedented extent in areas for diversification,' he said.

Nevertheless, as a solicitor himself, he recognises the cultural barriers that make his profession a difficult source of business partners for IFAs. 'Solicitors are programmed to look at things negatively. That's their advocacy role. They have a problem for every solution. They are so risk averse.'

He recalled an anecdote from Paul Willans, former head of financial planning at accountants Mazaars, who had wide experience of working in professional firms. He said solicitors were literate and worked in Microsoft Word while accountants were numerate and worked in Excel spreadsheets. This made accountants better disposed to managing businesses.

### Points of view

In theory, advisers who have embraced the new model and made the transition to a professional client-based service proposition underpinned by recurring revenues should also be able to teach solicitors a thing or two.

However, Muirhead warned that good intentions mean nothing and that many IFAs have made mistakes in the past by not considering the solicitor's point of view. IFAs must overcome long-standing prejudice if they are to form business links with solicitors, he said. Law firms regarded IFAs as salesmen, dating back to pre-FSA days when the Law Society required its members to refer all investment business to Sedgwicks, a former IFA national that did not match solicitors' expectation of professionalism.

Returning to his theme of the two Rs (regulation and recession), Muirhead said IFAs had to demonstrate how they could help solicitors in these difficult times. Although solicitors' business

models may be flawed their greatest strength – in which they take great pride – is their professional care of their clients.

In a recent report with JPMorgan Asset Management, Sifa identified eight areas where IFAs can add value and fill gaps in solicitors' client offerings: trusts and estate planning; older clients; divorce; personal injury; corporate; property; offshore work; and portfolio management. This was in response to a survey revealing a complaint from solicitors that IFAs viewed professional connections with them as a one-way street in which they gave but received nothing.

A sophisticated and patient approach is necessary, he said. IFAs must not make the mistake of thinking they can forge company connections in one leap. Most legal practices are a 'confederation of sole practitioners' where partners jealously guard their clients and business.

To succeed with solicitors IFAs must be credible and visible, he said. He pointed out that solicitors do not follow the RDR debate

and do not understand the significance of many IFA qualifications. However, what they know they can respect. This is why he urges IFAs to take qualifications and courses with which solicitors are familiar, such as the new STEP Certificate for Financial Services from the Society of Trust and Estate Practitioners. Gaining accreditation with Resolution as a financial neutral during 'collaborative divorce' and with the Society of Later Life Advisers will also open doors, he said.



## GUIDE YOUR CLIENTS TO SECURITY AND GROWTH

With the range of unit-linked guarantees across all our products, your clients can lock in market gains – giving them both security and growth.



To find out more and to download your free guide to guarantees, visit [metlife.co.uk/guarantees](http://metlife.co.uk/guarantees)

**MetLife**



**FOR ADVISER USE ONLY. NOT APPROVED FOR USE WITH PRIVATE INVESTORS.** MetLife Europe Limited (trading as MetLife) is authorised by the Irish Financial Regulator and subject to limited regulation by the Financial Services Authority. Details about the extent of our regulation by the Financial Services Authority are available from us on request. Registered address: Riverside One, Sir John Rogerson's Quay, Dublin 2, Ireland. Registration number 415123. UK branch address: One Canada Square, Canary Wharf, London E14 5AA. Branch registration number BR008866. [www.metlife.co.uk](http://www.metlife.co.uk) © UFS