

05/12**

Financial Services Authority

Investment product
disclosure: proposals
for a Quick Guide at
the point of sale

July 2005



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The Financial Services Authority invites comments on this Consultation Paper. Please send your comments to reach us by 31 October 2005.

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It is the FSA's policy to make all responses to formal consultation available for public inspection unless the respondent requests otherwise.

Copies of this Consultation Paper are available to download from our website – www.fsa.gov.uk. Alternatively, paper copies can be obtained by calling the FSA order line: 0845 608 2372.

1 Overview

Introduction

- 1.1 The original objectives of our current point-of-sale disclosure regime for packaged products¹ were to:
- give consumers the information they need about a product and its charges so that they can make informed decisions about whether to buy it; and
 - ensure that the information is presented in a format and at a time that helps consumers make comparisons between products and providers.
- 1.2 These objectives remain valid today. However, it has long been recognised that one of the key problems in the current regime is that many consumers do not read the information (specifically the Key Features Document (KFD)) that firms give them at the time of the sale. This may be for a number of reasons:
- failure of the document to ‘stand out’ and identify itself as being important;
 - a perception that it appears boring and impenetrable;
 - uncertainty about the exact role of the documentation; coupled with
 - the reliance that many consumers have on the advice delivered orally by their adviser.

It was for these reasons that we announced in Consultation Paper 170 *Informing consumers: product disclosure at the point of sale* (CP170, February 2003), that we would review our regime (the Disclosure Review²).

- 1.3 The main focus of our Review has been to develop point-of-sale information that consumers will recognise and be better motivated to read, and which, when read, is well understood. In other words, to produce information that:

1 Packaged products include life policies with an investment element, personal pensions including stakeholder pension schemes, units or shares in collective investment schemes and investment trust savings schemes.

2 Where we refer to the ‘Disclosure Review’ in this paper, we mean our review of firms’ disclosure of information about packaged products at the point of sale.

- ‘stands out’ from other literature the consumer may receive;
- conveys the most important information as effectively as possible by being engaging and easy to read; and
- helps consumers to make an informed decision.

1.4 During our Review, we have been encouraged by the information some firms produce as part of the Raising Standards Quality Mark Scheme³ and our proposals aim to build on this. We have also taken into account comments made by the Treasury Select Committee (TSC) in its recommendation that the use of ‘summary boxes’ should be explored⁴.

Background

1.5 CP170 proposed a package of measures to improve the information firms must provide to consumers, at the point of sale, about retail investment products. These proposals included:

- replacing KFDs and Illustrations, which firms are currently required to give to consumers at the point of sale, with concise and jargon-free documents called ‘Key Facts’ and ‘Examples’;
- requiring the Key Facts to follow a ‘question and answer’ format and to include a ‘Quick Guide’ highlighting the most important factors consumers should think about before buying a product; and
- simplifying the way product charges were presented.

1.6 Consultation on CP170 ended on 2 May 2003. In the light of the volume and variety of responses received, we decided to develop our proposals further and undertake additional consumer testing. Also, in June 2003, we announced our intention to review the regime governing the provision of all projections and the use of assumed rates of return (which are central to our approach to explaining charges at the point of sale). This resulted in the publication of Discussion Paper 04/1 *Projections review – the case for change* (DP04/1, July 2004).

1.7 We intended to consult further on the proposals stemming from both CP170 and DP04/1 together in late 2004. It became clear, however, that developments in implementing the Markets in Financial Instruments Directive (MiFID) could significantly affect our proposals, with the possibility of a significant change in policy soon after implementation. In addition, time and energy (both by the FSA and firms themselves) needed to be devoted

3 This is a voluntary scheme which requires, among other things, accredited companies to adhere to a set of customer service standards, one of which is to set out the benefits and costs of products clearly and to communicate in plain language.

4 House of Commons Treasury Select Committee’s report on ‘Restoring confidence in long-term savings’, eighth report of session 2003-2004, Volume 1 (28 July 2004).

elsewhere – for example, on work related to depolarisation and the development of a basic advice regime. So, against this background, we decided to defer consultation on any changes to the current point of sale disclosure regime until now.

- 1.8 The work we have completed so far relates to one element of the proposals in CP170 – the Quick Guide. We originally designed the Quick Guide to highlight the most important factors consumers should think about before buying. And we intended firms to use it as a tool to encourage consumers to think about how suitable the product is for them. These remain the key objectives of the Quick Guide. However, we have made some important changes to our original proposals to take account of the feedback to CP170 and the results of further consumer testing we have since undertaken.
- 1.9 We are very grateful to the Association of British Insurers (ABI) and two large firms for their considerable help in the development and testing of our revised Quick Guide proposals.

This Consultation Paper (CP)

1.10 This CP:

- sets out, where relevant, the feedback we received to our proposals in CP170 and, in particular, on issues relating to product suitability;
- gives details of the results of our consumer testing on the Quick Guide; and
- sets out our revised proposals for the Quick Guide (but see paragraph 1.14 below).

1.11 Our main proposals are that firms must:

- produce the Quick Guide as a stand alone document rather than as part of another document;
- put the Quick Guide at the top of the marketing pack, rather than randomly within it;
- produce a Quick Guide that follows a tabular format containing ten set numbered questions and bulleted answers;
- ensure the Quick Guide is no longer than two sides of printed paper; and
- include the ‘Key Facts’ logo and a ‘regulatory message’ in the Quick Guide and limit the inclusion of other logos, for example distributor logos.

Who should read this CP?

- 1.12 This CP will be of interest to all firms who sell, arrange deals in or advise on retail investment products and consumers, their advisers and their representatives.

The wider disclosure package

- 1.13 We recognise that the Quick Guide is only one of the elements within a wider disclosure package. Work on the other elements is still underway; we aim to publish a second CP in March 2006, which would include our proposals for other aspects of the disclosure package, in particular:
- a new approach to projections, taking account of the need to explain risks and rewards; and
 - the disclosure of charges.

The March CP will also contain feedback, where relevant, from this CP.

- 1.14 The proposals we set out in this CP are contingent on the results of testing the complete disclosure package on consumers. We intend to conduct our research later this year to ensure that the various elements work together cohesively. Some changes may also be required in the light of our COB Simplification work – see chapter 5 of CP05/10 *Reviewing the FSA Handbook: Money Laundering, Approved Persons, Training and Competence, and Conduct of Business* (July 2005). And further developments in implementing MiFID may also require changes. We aim to keep changes to our Quick Guide proposals to a minimum and consider that the benefits of sharing our thinking now outweigh any changes to our proposals that we may suggest in the March CP.
- 1.15 So that firms can consider the wider disclosure package as a whole and, as we are conscious of the costs associated with, for example, systems changes, we plan to bring our Quick Guide proposals into effect at the same time as the rest of the disclosure elements. We intend to announce the timetable for implementing the wider disclosure package in the March CP. Our initial thoughts are that we should bring the package into effect in 2007, to coincide with the planned implementation of our proposals on MiFID and COB Simplification. We would welcome your views on this.
- 1.16 In the light of this, we have decided not to include any draft Handbook text for our Quick Guide proposals in this CP, since any text would be more meaningful if considered alongside the rest of our Disclosure initiatives. Nor have we included a cost-benefit analysis of these proposals, since the costs and benefits of the Quick Guide can only be considered as part of the much larger package of changes to the disclosure regime. So the March CP will include draft Handbook text and a cost-benefit analysis for the wider disclosure package.

Structure of this CP

- 1.17 The remainder of this CP is structured as follows:
- the following chapter (**Chapter 2**) sets out our proposals on the Quick Guide;
 - **Annex 1** provides a consolidated list of the questions contained in this CP;
 - **Annex 2** reproduces the mocked-up Quick Guides we consumer tested; and
 - **Annex 3** contains a summary of the findings of our consumer testing. We have published a full report setting out how we undertook the final phase of our consumer testing, and detailing the results, on our website at www.fsa.gov.uk/pubs/consumer_research/crpr41.pdf.

Next steps

- 1.18 Please let us have your comments on this CP by **31 October 2005**. We have included questions throughout the paper and would particularly welcome your answers. Please see the inside cover of this paper for details of how to send in responses, which we will make publicly available unless respondents request otherwise.

CONSUMERS

This CP is relevant to retail consumers and consumer groups because we describe some of the measures we propose introducing to improve the quality of information about packaged products that firms give consumers. These products include life policies with an investment element, personal pensions (including stakeholder pension schemes), units or shares in collective investment schemes and investment trust saving schemes.

2 The Quick Guide

- 2.1 In this chapter, we describe our proposals for the Quick Guide which will form part of the suite of Key Facts branded documents. Where relevant, we give details of the feedback we received to CP170 and we refer to the results of our further consumer testing.
- 2.2 The final mocked-up Quick Guides we consumer tested are reproduced in Annex 2 and a summary of the three phases of our consumer testing can be found in Annex 3.

Development of the Quick Guide proposals

- 2.3 We continue to focus on product disclosure at the point of sale, although we are conscious that not all of a consumer's information requirements can be addressed at this time and we acknowledge the role of generic information/advice earlier in the process. However, we see point of sale information as crucial since only at that point do consumers discover the specific commitments they are making. Firms are ideally placed to produce this information since they best know the features of their own products.
- 2.4 Our new proposals build on the concept of 'layering' disclosure material proposed in CP170 to minimise the risk of information overload for consumers. For this purpose, we proposed in CP170 that firms incorporate a Quick Guide section in the Key Facts document. This would act as a 'checklist' of questions which signposted further information provided in the form of questions and answers (Q&A) after the checklist or in separate documents such as fund guides. We considered that such an approach would be a significant improvement on the 'aims, commitments and risks' section of the current KFD.

- 2.5 Respondents to CP170 had varied views about our approach. Some considered that the Quick Guide posed the wrong questions, while others said this duplicated the Q&A section of the Key Facts document. The ABI suggested a more effective method might be to have a summary document that lay on top of existing disclosure material as a separate document. In addition, in July 2004, the TSC requested that we consider developing the concept of summary boxes for investment products.
- 2.6 So we have taken these suggestions and developed our proposals further. We have also undertaken further consumer testing to test the concept of the Quick Guide and the questions it poses.

The Quick Guide – a ‘stand alone’ document

- 2.7 As discussed above, CP170 proposed that the Quick Guide was one element within a longer Key Facts document (which was to replace the Key Features Document). Now we propose that the Quick Guide ‘stands alone’ and is one of the main point of sale disclosure documents. This is to lessen the amount of duplication that existed between the Quick Guide and the Q&A section of the Key Facts document. It will also make the document stand out more from the pack of marketing material with which it will often be delivered.
- 2.8 The Quick Guide will be the first layer of information consumers receive, and will signpost where they can find further information. Because the Quick Guide covers some of the information presently covered by the Key Features document, we envisage that it would replace, rather than be an addition to, that document. In completing our development work on the wider package we will examine options for where the remaining information, notably about charges, should be disclosed. We are very aware of the importance of not overloading consumers with information and are therefore looking for ways to streamline the package. We still envisage requiring the provision of an ‘example’, replacing the personal illustration, in certain circumstances. For other information we will explore whether a further mandated document is required, or whether we can simply require the information to be disclosed in the marketing material and signposted from the Quick Guide.

Q1: Do you agree with our approach of making the Quick Guide a main point of sale disclosure document?

Name

- 2.9 In the first two phases of our consumer testing, we tested several mock-ups of the Quick Guide to see which format was preferred. In respect of the document title, the results of our consumer testing were not clear cut. For some, the name ‘Quick Guide’ was fitting because it described the short, question and answer approach of the document. For others, ‘Quick Guide’

was felt to be superficial or inadequate. However, for most, 'Quick Guide' was preferable to the alternatives we suggested, namely 'Product Summary', 'Plan Summary', 'Policy Summary' or simply 'Summary'. This was because the alternatives conveyed the impression that the Quick Guide was a marketing document from a firm, about specific products or funds, and issued once the product has been arranged. So, in the light of these findings, we propose requiring firms to call this document 'Quick Guide'.

Q2: Do you agree that the document title should be 'Quick Guide'? If not, what would be a more effective alternative and why?

Positioning

- 2.10 In the final phase of our consumer testing, half of the respondents received a typical marketing pack with a mocked-up Quick Guide placed at the front of the pack and the other half received a pack with a mocked-up Quick Guide placed randomly within the pack.
- 2.11 Irrespective of the placement in the pack, the vast majority of respondents were able to find and recognise the Quick Guide as an important 'first step' in understanding the rest of the literature. However, those that received the pack with a Quick Guide placed on top were quicker in recognising the Quick Guide as a core document.
- 2.12 Our consumer testing also confirmed our view in CP170 that consumers tend to go through a marketing pack in the order it comes in. Given the importance of the information that would be conveyed in the Quick Guide and considering its introductory nature, we propose to require that the Quick Guide must be placed at the top of the marketing pack rather than randomly within it, where this information could get lost.

Q3: Do you have any comments on our proposal to require the Quick Guide to be placed at the top of the marketing pack?

Production

- 2.13 The following sections set out our current thinking on production issues. The focus of our work has been to produce a Key Facts branded document that is an eye-catching 'one-pager' which attracts the attention of the consumer.

Format

- 2.14 The feedback we received from our consumer testing was that consumers preferred a Quick Guide which contained:

- numbered questions, as these enable consumers to find information quickly and easily;
- a box-type, tabular format, as this guides the eye from the numbered question to the relevant bulleted answer; and
- overall, a format which is seen as being clear, logical and with impact.

2.15 Our intention, therefore, is to prescribe a template which would consist of a table including the following numbered questions: (as shown in the mocked-up versions at Annex 2):

1. What is a [product name]?
2. Who is it right for?
3. What are the benefits?
4. What are the risks?
5. What is my commitment?
6. What will I get back?
7. Are there any guarantees?
8. How flexible is it?
9. What are the charges for?
10. What do I do now?

2.16 As was our approach in CP170, we propose requiring firms to ensure that the Quick Guide is written and presented clearly, using plain language and a customer-friendly layout. So the quality of the Quick Guide would at least need to match the standards of other point of sale literature produced by firms.

2.17 If there is demand for one, we intend to also provide a downloadable template for firms to use.

Colour

2.18 Our testing showed that consumers preferred a Quick Guide that was in colour rather than in black and white as the latter looked less engaging/more daunting. Also, the use of colour helped to ensure the document stood out from the rest of the pack.

2.19 Many said the use of shaded elements to signpost the other documents in the pack was helpful and valuable as it drew attention to, and so enhanced the value of, the other documents in the pack. As a result, we propose to suggest, in guidance, that firms use colour and shading when producing their Quick Guides.

Length

- 2.20 Our testing demonstrated that a significant factor contributing to the Quick Guide's success was its concise approach. As a result, we are convinced of the need to keep the Quick Guide to a maximum of two sides of printed paper, A4 or equivalent. So we intend to require firms to keep their Quick Guides to this length. This template also gives firms the flexibility to accommodate A5-sized printed material and, indeed, this was tested in our consumer research. Without such a requirement, we consider that firms could add more and more detail, resulting in information overload for the consumer. This would reduce many of the positive factors that came out of our testing on the length of the Quick Guide.
- 2.21 Although we propose to specify the length of the Quick Guide, we do not propose to prescribe any other format details (such as font size or spacing). Instead we intend to leave this to firms to decide within the overall standards for disclosure documentation. We do, however, propose requiring firms to ensure that the Quick Guide is legible to consumers and not written in small print.

Branding – the FSA logo

- 2.22 In CP170, we proposed that firms include the FSA logo and a 'regulatory message' on the front page of the Key Facts document. The message explained to consumers that firms are required to hand over the document but that the choice of product is a matter for them, the consumer. A significant number of respondents to CP170 were opposed to this approach (especially the use of the FSA logo) on the basis that the FSA could be perceived as endorsing the product or that it may appear to be 'government backed'.
- 2.23 As a result, in our consumer testing, we did not include the FSA logo in the mocked up versions we tested. We did, however, include a regulatory message as we considered that consumers should know why they are being given the Quick Guide. Generally, consumers found that the inclusion of this message conveyed the importance of this information.
- 2.24 As a result, we propose not to require the FSA logo to be included on the Quick Guide. We do, however, continue to propose that firms include a 'regulatory message' (see paragraph 2.34 below).

Branding – the Key Facts logo

- 2.25 The Key Facts brand is an important tool for consumers, helping them to identify the priority documents they must read. The Key Facts logo is widely used on consumer information such as the Menu and the Initial Disclosure Document⁵, and also on Mortgage and General Insurance documentation. We therefore propose that firms include the Key Facts logo in the Quick Guide.

⁵ Financial advisers give consumers the menu and initial disclosure documents to explain the various types and the costs of services on offer.

Co-branding

- 2.26 Co-branding is where a firm selling another firm's product adds its own brand to that of the product provider. In CP170, we proposed restricting the extent to which this is allowed because of the importance of maintaining clarity of the Key Facts front page. We considered that the information in the Key Facts document should focus on the product itself rather than the process by which it is sold. Distributors or other co-branding firms would still be free to emphasise their role in other marketing material.
- 2.27 There was a very mixed response to this proposal. Some respondents to CP170 agreed that the front page of the document should not become cluttered with brands. However, some commented that the constraints on space were unnecessarily restrictive and that there was scope for a pre-defined space for 'distributed by' branding.
- 2.28 We remain committed to ensuring that the Key Facts message is conveyed clearly to consumers. So we still think that we should limit the number of logos and brands included in disclosure documents to the two most important: the Key Facts brand and the provider firm's logo. We will, of course, need to revisit this when the wider disclosure package becomes clearer. Our intention is to seek views on co-branding in our 2006 CP but we welcome any views that you may have now.

Q4: Do you have any comments on our revised proposals for the production of the Quick Guide?

Content

- 2.29 Again, much of what we have concluded about the proposed content of the Quick Guide has been based on feedback received from CP170, further thinking on our part and consumer research. The mocked-up versions in Annex 2 provide an example of the material covered in the paragraphs below.

Questions and Answers

- 2.30 We have been working with the industry to develop the questions asked in the Quick Guide originally published in CP170. Based on our policy objective of conveying suitability, our consumer testing has shown that these questions are seen to address the most important issues for consumers. Although the issues raised did focus the spotlight on issues about the risks and costs involved with investing, we consider that an appropriate balance has been struck by also highlighting the product benefits. Indeed, it is by addressing both that we understand a sense of trustworthiness about Quick Guide is conveyed to the consumer. Using the numbered format, we intend to prescribe the questions to be used in the Quick Guide.

- 2.31 Although the use of numbered questions (and, specifically, the wording of the actual questions) would be prescribed, we do not intend to stipulate the content of the responses to these questions. However, we do propose to set out in guidance specific issues we would expect firms to cover in their answers.

Signposting

- 2.32 We will, however, be requiring firms to provide relevant signposts to specific page numbers (where possible) within any other literature that accompanies the Quick Guide. Research shows that the signposts act as a routemap to guide readers around the more detailed documentation and encourage some of the respondents to immerse themselves in the information packs. Many of the respondents saw the signposts as a valuable addition and said they helped demystify the detail.
- 2.33 We are also proposing that these signposts are highlighted using shaded boxes. Our research showed that without the shading, the signposts got lost in the main body of the text. When added, the majority of respondents noticed the signposting without prompting.

'Regulatory message'

- 2.34 As detailed in paragraph 2.24, we will also be prescribing the use of a 'regulatory message' on the Quick Guide. Research demonstrates that this is needed to explain the nature of the document to consumers. Without it, consumers become confused since they are conditioned to expect literature from providers to push forward the sale rather than ask them to carefully consider their purchase decision. We found that including the FSA reference gave authority and gravitas to the document.

Language

- 2.35 In CP170, we said that we expected consumer documents to be written and presented clearly and in plain language. Our intention is to require firms to prepare the Quick Guide using plain language. However, we have moved away from our approach in CP170 where we gave guidance illustrating in detail exactly what this meant. We continue to look for opportunities to simplify the conduct of business (COB) rules where possible, in line with our broader programme of Handbook simplification. So, we propose a less prescriptive approach: keeping the high-level plain language requirement but without detailed guidance.
- 2.36 Some respondents queried whether external independent assessment (for example, by the Pension Protection Investments Accreditation Board (PPIAB) who accredit firms in the Raising Standards scheme) of the Quick Guide would be needed. We do not see that it is necessary to gain external approval of the language used since we believe that firms should be able to explain their products in simple terms.

Q5: Do you have any comments on the proposed content of the Quick Guide?

Scope

Products

- 2.37 In CP170, we said that we would continue to apply the disclosure regime to packaged products and did not think that there was a compelling case for extending requirements more widely. However, we did indicate that there might be some exceptions to this with regards to structured deposits⁶ and other complex products. We also accepted that a firm could, if it wanted to, omit the Quick Guide for those non-life products captured by the requirements of the UCITS Directive⁷. This was in recognition that requiring its inclusion would be super-equivalent to the simplified prospectus requirements of the UCITS Directive.
- 2.38 Our current thinking is still that we will not be extending our regime to products not currently covered by the Key Features Document requirements. However, in the interests of consumers and in creating a level playing field amongst firms, our strong preference is for those firms captured by the requirements of the UCITS Directive to also provide the Quick Guide. But we recognise that we cannot require such firms to do so.
- 2.39 Our intention is to publish our thoughts on whether we should cover structured deposits and other complex products in a later Consultation Paper. We will ask for your views then, but any early views expressed now would be welcome.

Q6: Do you have any comments on the intended scope of our proposals?

Transactions

- 2.40 CP170 suggested broadly carrying forward the current circumstances in which a firm is required to provide product information for all packaged products (but see paragraph 2.42 below). However the following modifications, relevant to product information, were proposed:
- a rule to make clear that responsibility to provide information falls to the person making the recommendation/arranging the sale; and

6 Structured deposits can be described as: 'deposit products providing either capital growth or income benefits where the returns are typically linked by a pre-determined formula to the performance of an index/indices or a basket of stocks and where the product structure relies on a package of derivative instruments to provide those returns'.

7 Undertakings for Collective Investments in Transferable Securities (UCITS) Directive (85/61/EEC) as amended by Directives 2001/107/EC and 2001/108/EC.

- guidance suggesting that firms draw the customer's attention to product information, explain its content and encourage consumers to read it.

2.41 Again, the majority of respondents were in favour of these proposals and so we do not propose to make any changes.

Execution-only transactions

2.42 In CP170 we did, however, propose amending the scope of the current Key Features regime⁸ in terms of the transactions covered. We proposed requiring firms to offer Key Facts product information to execution only (EO) customers. This change was driven principally by the UCITS requirement that a simplified prospectus must be offered to all customers. Having been offered the Key Facts Document, we proposed that firms give EO customers the option of either declining to receive the document or delaying the transaction until the document has been received, then proceeding with the transaction and receiving the document as soon as the transaction has been effected.

2.43 Again, the majority of respondents to CP170 agreed with this proposal and so currently we intend carrying this forward. One respondent asked how online EO purchases would be affected. Here, we plan to have guidance that firms should place the Quick Guide prominently on their websites and it should be accessible before consumers complete the application form.

Telephone transactions

2.44 To meet the requirements of the Distance Marketing Directive (DMD), we propose that firms giving advice must seek the client's explicit consent to proceed on the basis of a recommendation given only orally. If the customer is content to proceed, the firm must send the necessary product information without delay.

2.45 For EO sales, firms need not give an oral explanation. However, we propose that product-specific information must be *offered* and that the customer be given the option to receive it before proceeding.

Variation to existing policies for current and legacy products

2.46 The current Key Features regime requires the firm to provide product information again when a customer varies an existing life policy issued on or after 1 January 1995 (the date when the current regime took effect for life products). The variation also gives the customer a right to cancel.

2.47 In CP170, we said that where a customer applies to vary a life policy issued on or after 1 January 1995 but before the new Disclosure rules begin, the firm has a choice. It can either issue a new Key Facts Document or, as a minimum,

⁸ The current regime applies to advised and direct offer sales only.

it must give the information it would have been required to provide under the existing regime (i.e. a complete KFD or the relevant elements of the information in the KFD that are enough to enable the customer to understand the consequences of the variation).

- 2.48 Some respondents requested further detail about our proposals in this area. However, until we have concluded further work on the other elements of our disclosure package, we are not in a position to offer our definite views. So we will announce more detail on this in our wider disclosure CP, to be published next year. In the meantime, we would welcome your thoughts here.

Q7: Do you have any comments on the type of transactions that should be covered by our proposals?

Timing of delivery

- 2.49 In CP170, we proposed amending the current Key Features regime to recognise the importance of delivering product information early enough to inform consumer decision-making, and to better reflect the requirements of several European Directives.
- 2.50 The majority of respondents to CP170 supported this proposal. Some, however, asked us to clarify the term ‘without delay’ as they thought it was too vague and could lead to inconsistency across the industry.
- 2.51 This issue of timing will need to be aligned with the approach taken in implementing the Directive on Markets in Financial Instruments (MiFID)⁹. We are therefore awaiting the final proposals before setting our policy on this issue. However, we would welcome your views on this issue in the meantime.

Websites

- 2.52 We propose to require that the Quick Guide be provided in any durable medium and be made available on a firm’s website in a prominent place, so that the customer’s attention is drawn to the Quick Guide before proceeding to the application form.
- 2.53 Given that part of the purpose of the Quick Guide is to provide the consumer with clear signposts to further detail, we believe that HTML/XML formats would be particularly useful. In this way, consumers would be able to click on signposts to jump to further information without having to navigate through entire documents. However, we also see the merits of pdf. files. So, although in CP170 we suggested prescribing HTML/XML format, we now propose that the choice of formats be left for firms to decide.

Q8: Do you have any comments on our proposals for when the Quick Guide must be provided?

Implementation

Timeframe

- 2.54 As mentioned in Chapter 1, we recognise that readers may need to consider the proposals in this paper as part of – and within the wider context of – the total disclosure package. Our plan, therefore, is bring the proposals explained in this CP into effect at the same time as the rest of our disclosure initiatives. We may need to adapt our proposals for the Quick Guide (as set out in this paper) in the light of the final shape of the total package but we intend any changes to be kept to a minimum.
- 2.55 Consultation on the wider disclosure package is scheduled for March 2006. As part of that paper, we will propose a timetable for implementation. Our initial thoughts are that we should bring the revised disclosure package into effect in 2007, to align with the planned implementation of our proposals on MiFID and COB Simplification. We would welcome respondents' views on this.

Q9: Do you have any comments on our implementation proposals?

Cost/benefit issues

- 2.56 We have decided that it would not be appropriate to carry out a cost benefit analysis (CBA) for these proposals, because we would introduce the Quick Guide as part of a much larger package of changes to the disclosure regime. A CBA of the Quick Guide in isolation would be meaningless since its costs and benefits can only be considered as part of the overall package. To this end, both will feature in the rule consultation and associated CBA to be published in our March 2006 CP.
- 2.57 The most important element of that CBA will be a consideration of how the Quick Guide and the other disclosure changes would affect the behaviour of firms and consumers. The changes in behaviour will then be considered in terms of their positive or negative effects on the quantity and quality of goods sold, on the variety of products offered and on the efficiency of competition. In the CBA, we will also consider the impact on our direct costs and on the compliance costs for firms and consumers. As a baseline, we will need to use – or make assumptions about – a market that has recently embraced depolarisation, the menu and basic advice.

List of questions in this Consultation Paper

- Q1: Do you agree with our approach of making the Quick Guide a main point of sale disclosure document?
- Q2: Do you agree that the document title should be 'Quick Guide'? If not, what would be a more effective alternative and why?
- Q3: Do you have any comments on our proposal to require the Quick Guide to be placed at the top of the marketing pack?
- Q4: Do you have any comments on our revised proposals for the production of the Quick Guide?
- Q5: Do you have any comments on the proposed content of the Quick Guide?
- Q6: Do you have any comments on the intended scope of our proposals?
- Q7: Do you have any comments on the type of transactions that should be covered by our proposals?
- Q8: Do you have any comments on our proposals for when the Quick Guide must be provided?
- Q9: Do you have any comments on our implementation proposals?

Mocked up Quick Guides

1. In this annex, we reproduce final versions of the mocked up Quick Guides we tested with consumers. Version 1 is a Quick Guide for a personal pension and Version 2 is a Quick Guide for an investment bond.
2. We produced these Quick Guides in conjunction with two large firms. We gave them the template (ie the table format and the questions) but the answers were primarily generated by the firms to replicate the approach which industry might take when producing the Quick Guide.

keyfacts Quick guide

Portfolio: An investment bond

The Financial Services Authority (FSA) is the independent regulator of financial services. It requires us, Accent Plc, to give you this important information to help you decide whether an investment bond is right for you.

<p>1 What is a Portfolio investment bond?</p>	<ul style="list-style-type: none"> • It's a lump sum investment plan that aims to increase the value of the money you invest. • You can choose to invest in up to 10 of the investment funds we offer. • There is no fixed date when this plan ends so you can choose to cash it in when it suits you. However there may be charges for doing this. You can also take 'one-off' or regular withdrawals of money within certain limits without charge. • It also provides some life insurance cover. The amount we'll pay on death depends on the funds you've chosen. <p>For more detail about Portfolio see our 'Portfolio - Key Features', 'Portfolio - step down option Important details about your bond' and 'Portfolio - Guide to investment in our with-profit funds' booklets.</p>
<p>2 Who is it right for?</p>	<ul style="list-style-type: none"> • This bond could be right for you if: <ul style="list-style-type: none"> - you want to invest a lump sum for at least five years; - you want to take advantage of the tax benefits of investing in a bond. You'll need to consider these carefully as they will depend on your own circumstances and there may also be disadvantages. • There are, however, also other ways of saving that might have more tax advantages for you. <p>If you are in any doubt about whether this bond is right for you, speak to a financial adviser.</p>
<p>3 What are the benefits?</p>	<ul style="list-style-type: none"> • Portfolio offers you a wide range of funds that invest in different types of assets. • You can change the funds you're invested in. We don't normally charge for this, and currently you don't have to pay tax on any gains at the time you make the change. This may change in the future. • This bond can be arranged under a trust as part of your inheritance tax planning. <p>For more details about the tax and other benefits see the 'Questions and answers' section of our 'Portfolio - Key Features'.</p>
<p>4 What are the risks?</p>	<ul style="list-style-type: none"> • You need to think about how much risk you want to take when you're choosing which investment funds to put your investment in. • The funds we offer have different levels of risk. If you need help in choosing the right fund you should seek help from an adviser. • Many of our funds invest in shares, which can go up and down in value - and there is a risk that they could end up worth less than you paid in. • However, your savings could grow more in a shares fund than in a fund which offers lower risk - you need to balance up how much risk you want to take for the chance of more profit. • If you cancel your bond within 30 days, you may get back less than you've paid in. <p>To find out more about the different risk levels of our funds see our Fund Guide.</p>

<p>5 What is my commitment?</p>	<ul style="list-style-type: none"> • You have to pay at least £5000 into your bond. • Although you can cash in your Portfolio bond at any time, you should see it as an investment of at least five years. This will give your investments a chance to grow after we've taken our charges. • Make sure that you can commit to investing your capital for at least as long as this or you may also face early cash in charges. <p>To find out more about what you have to do see the 'Your Commitment' section of our 'Portfolio - Key Features'.</p>
<p>6 What will I get back?</p>	<ul style="list-style-type: none"> • We can't tell you exactly because this depends on: <ul style="list-style-type: none"> - how much you've paid in; - how long you keep your bond; and - how well or badly your chosen funds perform. <p>For more information see your Illustration and the 'What might I get back?' section of our 'Portfolio - Key Features'.</p>
<p>7 Are there any guarantees?</p>	<ul style="list-style-type: none"> • For most funds there aren't any guarantees. • For our With-Profits Funds some bonuses might be guaranteed. • There is a money back guarantee at the end of five years under our With-Profits Guarantee Fund and Guaranteed Fund providing you haven't taken money out of the fund in the meantime. Taking money out within five years will reduce what you get back. <p>See page 7 of our 'Portfolio - Fund Guide' and page 13 of our 'Portfolio - Guide to investment in our with-profit funds'.</p>
<p>8 How flexible is it?</p>	<ul style="list-style-type: none"> • You can't make additional payments into your bond. • You can change your investment into different funds. <p>For more information on changing your investment funds see page 6 of our 'Portfolio - Important details about your bond' booklet.</p>
<p>9 What are the charges for?</p>	<ul style="list-style-type: none"> • Our charges pay for setting up your bond and then the cost of managing it. We take these charges from the payment you make and from the funds you invest in. • We may take an extra charge if you take money out of your bond, either by cashing it in or taking withdrawals over the limits we have set. • Our charges are important because they reduce the value of your bond. The charges of each investment company and each fund will be different - so it's worth shopping around. • One way of shopping around is by using the comparative tables on the FSA website www.fsa.gov.uk/tables. <p>To find out the standard charges for each individual fund see page 4 of our 'Portfolio - Important details about your bond' and pages 10 to 22 of our 'Portfolio - Fund Guide' booklets. Sometimes a financial adviser will rebate some of the charges back into your plan. You can find information about limits on withdrawals in the 'Can I take money out?' section of our 'Portfolio - Key Features' booklet.</p>
<p>10 What do I do now?</p>	<ul style="list-style-type: none"> • Is this bond right for you, or do you have any further questions? • If you do have any questions speak to your financial adviser. They'll tell you what their advice will cost. • If you don't have a financial adviser you can find one by contacting us on 020 7777 7777.

keyfacts

Key facts

Quick Guide Personal Pensions

This Key Facts Document gives you the main points about the pension plan you are buying. The Financial Services Authority (FSA) is the independent regulator of financial services. It requires us, Accent PLC to give you this important information to help you decide whether a pension is right for you. You should read this document carefully and keep it with your other plan documents.

<p>1. What is a Personal Pension Plan?</p>	<ul style="list-style-type: none"> • The Accent Personal Pension Plan is a savings plan that lets you save for your retirement in a tax-efficient way. • Your money will be invested in one or more of the funds available – you can choose which ones. • When you retire you must use the money you have built up to help provide an income for life. <p>For more detail about the Accent Personal Pension Plan see our Personal Pension Plan Customer Guide and our Guide to Investment Options.</p>
<p>2. Who is it right for?</p>	<ul style="list-style-type: none"> • A personal pension could be right for you if you want to save for your retirement and you're happy to lock your money away until then. • But if you think you might need to get at your money early there are other tax-efficient products you could consider, such as ISAs. • A personal pension is not a stakeholder pension plan or a company scheme. You should consider whether these types of pension plan would meet your needs at least as well as our Personal Pension Plan. <p>If you have any doubts about whether this plan is suitable for you, you should speak to a financial adviser.</p>
<p>3. What are the benefits?</p>	<ul style="list-style-type: none"> • The Accent Personal Pension Plan helps you save a sum of money in a tax efficient way, which will give you a pension which is an income for life when you retire. • It also helps you save a sum of money to provide benefits for your dependants on your death, either before or after retirement. • You have the option when you retire of taking a tax free lump sum, in exchange for a smaller pension. <p>For more detail about these benefits see page 3 of our Personal Pension Plan Customer Guide.</p>
<p>4. What are the risks?</p>	<ul style="list-style-type: none"> • To choose which funds to put your savings in you need to think about how much risk you want to take. Generally, the higher the risk you choose the more profit you can make, but the losses can also be higher. • Many funds invest in shares, which can go up and down in value - and there is a risk that they could end up worth less than you paid in. • However, your savings could grow more in a shares fund than in a fund which offers lower risk - you need to balance up how much risk you want to take for the chance of more profit. • If you start the plan with a single contribution and then cancel it within 30 days, you may get back less than you've paid in. • What you get back at your chosen retirement date isn't guaranteed. It will depend on our investment performance and on interest rates at the time you start taking your pension. <p>You can get more details of the funds available and the risks involved in our Guide to Investment Options.</p>

5. What is my commitment?	<ul style="list-style-type: none"> • Make sure you don't need to get at the savings in your plan before you retire. A personal pension is a long term commitment designed to provide an income when you retire – you won't be able to cash it in. • To have the best chance of getting the income you want from this plan, you need to keep up your contributions. • On a regular basis (say, once a year) you should think about increasing your payments to get the income you want, especially if your salary is increasing. <p>To find out more about what you have to do, please see our Personal Pension Plan Customer Guide and the Key Features leaflet.</p>
6. What will I get back?	<ul style="list-style-type: none"> • The final plan value will depend on a number of things. For example, how much is paid in, how long the payments are invested for, how well our investments perform over the term of your plan, and charges. • Your pension will depend on interest rates at the time you decide to convert your plan to a pension and other factors such as your age and health. <p>For more information please see your Illustration and page 4 of our Personal Pension Plan Customer Guide.</p>
7. Are there any guarantees?	<ul style="list-style-type: none"> • Our funds have no guarantees • Investment returns may do down as well as up and you may get back less than you have paid in. <p>For more information please see our Guide to Investment Options .</p>
8. How flexible is it?	<ul style="list-style-type: none"> • You and/or your employer can make regular payments or single payments. The total of these payments must not be more than the limits set by the Inland Revenue. • You can make one off payments at any time to top up your plan. The minimum payment is £20. You can also choose to make single payments by cheque. • You can switch your investments between the various funds to change the mix of investments or change the investment choice for future payments, though there may be conditions for doing so. • You can start taking a pension at any time between ages 50 and 75, even if you're still working. You must start taking it by age 75. You can take a pension in stages if you want to. You can start taking a pension before the age of 50 only if you're in severe ill health, or if the Inland Revenue has approved this for your job. <p>For more detail about the flexibility please see our Personal Pension Plan Customer Guide.</p>
9. What are the charges for?	<ul style="list-style-type: none"> • We charge for managing your plan and investments. We take the charges out of your fund value. • How much you are charged is important to you because charges reduce the value of your investment in the plan. • There is an annual charge of up to 1% of the value of the funds you accumulate. If your investment is valued at £500 throughout the year, this means we deduct £5 that year. If your investment is valued at £7,500 throughout the year, we will deduct £75 that year. • The charges of each pension company and each fund will be different – so it's worth shopping around. One way of doing this is by using the comparative tables on the FSA website at www.fsa.gov.uk/comparative tables. <p>Your financial adviser may rebate some of the charges back into your plan.</p> <p>You can get more information about any charges in our Personal Pension Plan Customer Guide</p>
10. What do I do now?	<ul style="list-style-type: none"> • Is this plan right for you, or do you have any further questions? • If this plan was arranged by a financial adviser then this will usually be your first point of contact. • If you don't have a financial adviser, an adviser in your area can be obtained by calling the IFAP (Independent Financial Adviser Promotions) helpline on 01179 711177.

Summary of consumer testing

1. In this annex, we summarise the results of the consumer testing of our proposals on the Quick Guide. Testing was undertaken in three phases, using qualitative methodology comprising both in-depth interviews and group discussions. A full report detailing the outcome of the third phase of this research can be found on our website at www.fsa.gov.uk/pubs/consumer_research/crpr41.pdf.
2. We plan to test our proposals again, alongside and as part of the other Disclosure initiatives which we are currently developing (see paragraph 1.14). The outcome of that testing will be included in our second CP, to be published in March 2006.

Phase 1 testing

3. During the first phase, we tested two versions of the Quick Guide amongst both advisers and consumers:
 - Version A – a Quick Guide laid out as a table containing numbered questions and bullet pointed answers and written in plain, colloquial language; and
 - Version B – a Quick Guide with a two-column layout containing un-numbered questions in a heading style, written in plain language, although slightly more formal than version A.
4. Overall, both versions A and B were received positively, with advisers commenting that they would find either one a useful tool during a meeting with a client. Consumers commented that the brevity of both documents would stimulate readership.
5. On first glance, both versions seemed to convey the impression that they would contain information on charges, projections etc (although they did not). Both versions did, nevertheless, challenge the reader to consider the questions raised.

6. Respondents in the testing also had preferences in each version. For example, they preferred the tabular format in version A but the tone and language used in version B.

Phase 2 testing

7. In this Phase of the testing, we used the results from Phase 1 to produce a hybrid document, Version C, of the Quick Guide. This was tested among consumers only. The key research findings were that:
 - the clarity, brevity and straightforward language used was appreciated;
 - the questions posed in the Quick Guide were felt to be the relevant ones;
 - the answers raised some harsh truths about the risks and costs, but this conveyed a sense of trustworthiness;
 - the Quick Guide gave respondents confidence to take personal responsibility for their decision; and
 - there was a practical role for the Quick Guide in the early stages of the sales process as the information grounded respondents in the product and armed them with questions for their adviser.
8. Respondents, however, suggested the following main improvements/preferences:
 - the firm should be described in the third person (by name) and the consumer as ‘you’; and
 - to clarify the role of the document, the Quick Guide should convey that the information is a regulatory requirement. An up-front explanation that the FSA requires a firm to provide the Quick Guide should be included.
9. We used the results of this phase of the testing to produce two mock-up Quick Guides as shown in Annex 2 – one for a pension and one for an investment bond. The proposals in this CP are based, therefore, on the outcome of this third and final stage of testing.

Phase 3 testing

10. The objectives of this final stage of testing were to establish whether, compared to the current KFD:
 - the Quick Guide ‘stands out’ in a pack of documentation (both in colour and black and white);
 - customers prefer to engage with the Quick Guide before looking at any other piece of documentation and why, or why not;
 - advisers see the Quick Guide as a useful tool to talk through with the customer;

- consumers use the Quick Guide alongside the pack of information given to them at the point of sale and how and whether it stimulates increased engagement with information contained within the pack.
11. Both consumers and advisers were presented with either an investment bond or personal pension information pack reflecting the type of information that consumers typically receive at the point of sale. Both direct offer sales packs and advised sales packs were represented and packs were also either in black and white or colour.
 12. The packs fell into three categories:
 - those that did not contain a Quick Guide but only a KFD;
 - those that contained a Quick Guide positioned at the front of the pack and a KFD; and
 - those that contained a Quick Guide positioned randomly in the pack and a KFD.
 13. Consumer respondents were asked to review a product pack (half of the respondents had the first pack pre-placed) as though they were considering a purchase. If the Quick Guide was included in the pack, its use was observed and discussed. A second pack was then introduced which varied from the first (either in the inclusion of the Quick Guide or its position within the pack) and the use of this pack was compared with the use of the first pack. In the adviser interviews, only one pack containing the Quick Guide was used to guide discussion.
 14. Overall, the research suggested that, in large part, both consumers and advisers support the inclusion of the Quick Guide within the current product information. In its current format, it was seen as a clear and simple initial guide to a product. The key findings of the research were that:
 - The Quick Guide, in large measure, ‘stands out’ in a pack of product information, and was seen as clearly identifiable as the ‘quick and simple’ guide to the product:
 - the overall appearance e.g. Q&A format, title, one page helps convey this;
 - whilst it was easily recognisable no matter where it was placed within the pack, when placed on top the Quick Guide was more immediately recognisable as an important document to read first; and
 - this applies to both colour and black and white versions of the packs – although the black and white packs as a whole were less engaging.
 - Consumer respondents found the Quick Guide engaging and generally viewed it as a welcome addition to current product information:

- it was seen as a simple, succinct, ‘entry’ to the product/ pack, a document which answers ‘key questions’;
- it was also seen as a useful ‘script’ or preparatory document to aide discussion with the adviser; and
- it engenders confidence in less financially sophisticated consumers.
- The Quick Guide helps to inform consumers about the overall suitability of the product they were considering purchasing and successfully signposts to further information.
- The Quick Guide was endorsed by all adviser respondents; however, their ideas about its envisaged role were mixed:
 - some claimed it would be a useful overview for consumers to access before consultation but recognised the logistical difficulties of this;
 - for others, it was viewed as a helpful checklist to run through with consumers to check their basic understanding and support verbal communications; and
 - most considered the addition of the Quick Guide as an enhancement to the ‘documents of record’.

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