

Mr J McFall (Chairman of TSC)

14th November 2005

Dear Mr McFall

**Re: Shocked by 8th November Treasury Select Committee
(TSC) meeting with Tiner & McCarthy**

I have 28 years of personal experience in the front line of giving clients a very worthwhile service and advice, I am also writing to you with absolute frustration and fear of the above organisations with their unaccountability and abuse of power. When in fact I have done nothing wrong apart from being successful in my business for many years. Now I am threatened with being ground down by over bureaucratic procedures and spurious claims for compensation condoned and fuelled by the media and Financial Ombudsman Service. There are other Independent Financial Advisers in the same position as myself. Between 70% and 80% of the UK business is produced by IFAs so what is going on? Why is the FSA trying to get rid of us?

I attended the above meeting to get a feel of how things are handled at the 'so called', 'top level' and how the FSA operate and how they are handled. I was shocked by the morning's events and I'll explain why. The first point I want to make didn't come as a surprise to me at all. That is how out of 'touch' both McCarthy and Tiner are with what happens within their organisations and in the market place. Plenty of waffle came from them whilst trying to justify their positions and salaries. They glanced away the real issues without any real care or passion in their responsibilities.

However, the most shocking point I would like to make is how the members of the TSC are unaware of the damage that has been caused by the FSA, FOS and the FSCS. Susan Kramer made some valid points on behalf of IFAs. One being the 'fictitious' LAUTRO charges which all customers and advisers were duped into. These were all under the regulator's guideline. Tiner said he was looking into it. Well that's not good enough. Compensation payments are currently landing at the feet of IFAs when in fact it's not our fault. This is clearly wrong and we did not manufacture the products. If it didn't '**do what it said on the tin**', then the manufacturer needs to sort it out (e.g. the insurers concerned). And if the manufacturer has an issue with this then they need to turn to the FSA and ask for an explanation of the LAUTRO rules and fiasco regarding

the charges, which had not been applied at the time. It was only recently that Howard Davies said that if there had been a full-scale review it would have collapsed the industry. Well what's that all about, a cover up?

Susan Kramer also mentioned the pension review whereby billions have been paid out on the instruction of the regulator when clearly the regulator was wrong! Who's going to compensate all those incorrect compensation payments already made? There are other victims involved in all of this, not just the consumer. Compensation payments were paid out on potential perceived losses on transfers, which never actually happened, when in fact if clients had been protected by transferring whereas if they had stayed in many of their final salary pension schemes, many would have less than they have now and some may have ended up with nothing! That's exactly what we are going through now with the endowment situation. Judgements are being made by the Financial Ombudsman Service (FOS) staff with yet again more fictitious re-projected figures laid down by the FSA. Compensation payments are currently being made too early in advance and before the maturity date of these policies. Many may well still meet their targets whilst many clients will enjoy unjustifiable enrichments by the incompetent staff at the FOS.

Have any of the TSC members read the 'Leviathan at Large' reports? Probably not, I know Susan Kramer hadn't and she even championed the IFAs corner. I should like to say that I was highly unimpressed with the lack of knowledge amongst the TSC members on exactly what is happening out here in the market place. I would like this e-mail to be passed on to all TSC and suggest they must read the 'Leviathan at Large' reports as well as reading industry produced material to get up to speed and familiarise yourselves with the FSA/FOS problems. These reports are a reality and can be backed up by IFAs who are at the sharp end. Tiner & McCarthy are certainly not at the sharp end, as they don't even know what their staff do, they are on the 'gravy train' like the rest of them and that's it!

Did you know the following?

The FSA

- The FSA cannot be contested unless there is a judicial review. Most IFAs don't have a spare million or two pounds to take them to the high court. Is there an agenda to get rid of IFAs?
- FSA applied and still applies rules retrospectively and makes rules up as it goes along without consultation
- Due to the mistakes made by the PIA/FSA it is impossible to get fair terms on Professional Indemnity Insurance for protection. Insurers got caught out with retrospective legislation! This FSA ruined the PI market
- Compulsory PI is the rule but the FSA have limited the market place for this business, hence insurers can charge more or less what they like
- There are thousands of IFAs in the same situation and it's the long serving members who have run their businesses properly who paying the price of regulatory incompetence
- It was the FSA's fault re: the Equitable Life situation, they allowed the insurer to keep trading when virtually insolvent

- So many documents are produced when offering a client a financial product it's now not only confusing to them but they don't read it!
- The FSA spent over £100,000 on last year champagne at their Xmas party, £1.6 million of overseas travel and many hundreds of thousand of pounds on art for their offices and all paid for by the insurance industry. Yet my fees for 2005 are up a staggering 47%!
- Of the 2,500 staff at the FSA the average salary is £56,000 and over 190 staff earn over £100,000. This is obscene especially when most are unqualified and incompetent.
- The FSA final salary pension scheme has an £80 million deficit, which the industry will have to pick up
- The FSA spent £1.5 million on their website regarding the mortgage awareness project and yet they have broken their own rules by not applying the same rules regarding the APR fonts!
- FSA silly rules contributed to Standard Life's selling off of shares when they were at their lowest in values. Thus wiping off millions if not billions off Standard Life's real potential values. This has had a knock on effect reducing the payouts on policies (including endowments) and also reduced the real value of any windfall if and when Standard Life is floated on the stock market. One doesn't buy shares at the top of the market and sell at the bottom. An elementary mistake even for the beginner. If Standard Life was left alone, its asset values would be substantially bigger today and policies would be worth more!
- Introduction of Stakeholders was a flop. If you don't pay for the distribution you will not sell the products. So why is the FSA trying to introduce more Stakeholder products, when we know THEY WILL ALSO FLOP.
- Recent recorded meeting between David Kenmir (FSA MD of retail) and IFADU proves even he doesn't know what the FSA rules are, unaware the FOS break and ignore the FSA rules whilst destroying IFAs livelihoods (recorded meeting download attached to this – email – tape 2 gives more away about FSA incompetence)

The FOS (Ombudsman) - Adjudicates in cases of complaints for miss selling but:

- Win or lose the case the IFA pays the fee of £360 regardless (I've won all my cases and I am out of pocket 5 times over so far with no doubt more to come-the FOS refused to waive in every case)
- I have a Fraudulent attempt to claim and I am still charged the fee despite bringing this to their attention
- The FOS attempt to adjudicate on cases outside their remit regardless
- The FOS does not disclose papers to the IFA that the complainant submits to them. Thus complainant can make up fictitious papers which cannot be contested with a defense
- Complaints are constructed are encouraged by 'Ambulance Chaser' fuelling the fraudulent claims
- The FOS recruits people to adjudicate with salaries starting at £20,000 per annum without industry experience. Therefore, a person with little and virtually no experience of the investment industry may well adjudicate against my firm and me. They have been known to award thousands of pounds incorrectly!
- The FSA and FOS are sponsoring nothing short of FRAUD!

- The press are having field day because they are not regulated like us. Compensation is the order of the day! Again encouraging Fraud
- Did you know most insurers don't keep records for more than 6 years so there is no defense? The easiest option is to pay out some claim! Although the FSA rules state you only have to keep records for 6 years, claims can go back indefinitely! Why are they ignoring their own rules?
- FOS ignores the UK limitation act and latent damages act, which is UK law. The FSA/FOS have invented their own time bar rules
- FOS staff doesn't even know the difference between a Key feature Document and a Key Features illustration! How can they adjudicate and judge?
- When the FOS is challenged on a particular point or rule, they ignore and do not reply.

I can tell you that the mood within the city and financial sector is very anti FSA and the judiciary in London would love to take on the FSA if only someone would stand up to them and fund a judicial review. Why? Simply because they are parasitic, incompetent, under qualified, abuse their power, secretive, ignore and distort the law of the land, ignore any valid questions I may have, arrogant, add no value to either the industry or the consumer, cost millions to the industry in direct fees and cost an immeasurable amount of money in red tape whilst wasting their own and our time. Also in an incident when they came to investigate my business they acted like yobs in a very highly unprofessional manner. For security and peace of mind I recorded their antics, so I have the proof. When the FSA was asked to investigate the incident (which was plastered over the front page of Money Marketing) they 'shoved it under the carpet'. At no stage did the FSA investigate the scandal properly leaving the 'yobs' free to carry on with no recourse (I have the tapes and copies are available if required). The FSA has ruined the financial services sector and is gradually bring it almost to a standing halt. Whilst the FOS has it's own agenda and condones and defends fraudulent activity by consumers.

Like the FSA if the TSC wants to be respected, you have to impress the professional and people who know and who have experience. The TSC must do their homework if they wish to protect the interest of the nation and the only way is to listen to the people who know. I believe you will be shocked of all of the wrong doings and incompetence that surrounds the FSA/FOS etc. The recent public criticism by Tony Blair of the FSA was very welcomed by many. However, talk is cheap. We need to abolish the FSMA 2000 and sack the lot at the FSA, FOS and FSCS. The loss of these organisations would allow the industry in the UK freedom to be creative and regain its prominent position as a model for other countries to follow. The FSA has done so much damage to the industry it may take many years to recover. However, there is a chance to salvage, which was once the best-funded pensions schemes and financials sector in Europe and maybe the world. We have clever financial people in the UK, so why not let them do their job. Without this monstrous regulator the industry would thrive and also bring in it's own code of conduct. The best people in the financial sector aren't in the FSA/FOS etc but out here trying to do their job whilst the FSA/FOS/FSCS sits on our backs like parasites. I'm sick and tired of this, it's about time this nonsense was stopped and action was taken!

The two CPS Leviathan reports need to be read and studied by all the members of the TSC, which will back up all of my claims. For truly dynamic information go the www.ifadu.co.uk web site. You will see what I mean. If you and your colleagues want to be taken seriously by all within our industry, you need to acknowledge my points and act upon them before the financial services industry sinks any further than the current position. A full investigation on the FSA/FOS and FSCS staff is required. The conclusion may be the FSMA 2000 and the FSA must either be abolished or at least made fully accountable.

I would like to know what you are going to do about this? I am also willing to produce written and oral evidence in my claims. I look forward to hearing from you.

Yours sincerely

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