

Consumers to benefit as FIA takes tough stance against unethical intermediaries

New Code of Conduct

South Africans who engage with financial intermediaries are set to benefit from the Financial Intermediaries Association of Southern Africa's (FIA) acceptance of a new Code of Conduct and its decision to focus on identifying unscrupulous service providers and their products.*

Seamus Casserly (President of the FIA, says the FAIS Act, which is regulated by the Financial Services Board (FSB) and has been in place since 2004, is unfortunately being repeatedly breached by unethical financial service providers who in some cases, are unfortunately registered as Financial Service Providers (FSP's).

"Our members, who comprise nearly 3000 individual and company financial services providers, including most of the major and professional individual financial intermediaries, witness regular misconduct of product providers and advisors," says Casserly.

"More often than not, these transgressors do not belong to professional bodies like the FIA. Their actions tarnish the industry that we are so proud being a part of. This is what we take exception to and will act against."

He says the FIA will promote whistle-blowing amongst its members and where clients are being blatantly misled in advertisements or with poor advice, will act by making use of the various financial services watchdog mechanisms.

"The executive of the FIA have been tasked to work closely with the FSB, devising a program whereby we can effectively cleanse the industry of the bad apples."

Casserly says the introduction of the new FIA Code of Conduct will assist the FIA in its bid to raise standards in the industry and protect consumers.

“One of the key objectives of the code is to consistently promote the improvement and standard of financial products, financial advice and intermediary services provided within the industry.”

In terms of the new code, some of the key requirements for members of the FIA are:

- To conduct their business activities in the utmost of good faith, honesty, integrity and transparency and consistently uphold the interests and needs of their clients before any other consideration.
- To ensure that any information acquired by a member from a client will not be used or disclosed unless the written consent of the client has been obtained to do so, except in the course of negotiating, maintaining, renewing or servicing the client’s financial needs or where required by law.
- To obtain all material information from the client that is reasonably available and communicate this to the underwriter where business entails the assessment of acceptance of any risk by an underwriter.
- At all times to comply with legislation relating to the financial services industry. In particular, they will only offer advice and render intermediary services in respect of financial products for which they are authorised or mandated in terms of the Financial Advisory and Intermediary Services Act, 2002.

They will ensure that their employees fully understand the member’s obligations under the Code and any other guidelines that may be issued.

Casserly says that to further support the delivery of a professional service by intermediaries, the FSB has introduced the RE1 and RE2 – a series of mandatory qualifications for all representatives of FSPs who interact with clients.

RE1 will ensure that all practitioners have a working knowledge of the various Acts that are relevant to the services sectors that they operate in, while RE2 will test their product knowledge.

“This will serve to give the client peace of mind that they are dealing with knowledgeable people and will also alleviate a good deal of the incorrect advice being handed out.”