

Blog: SPS will be the MOT of the FS sector

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Joel Turland, managing director of T&C software company Redland Business Solutions, takes a closer look at the challenges of introducing statements of professional standing for advisers.

We all know that just because a car has got through its MOT, it could develop a critical fault on the way home from the garage. We also know that the MOT certificate says nothing about the way the car is driven.

There is value in the MOT process, as a basic test of road worthiness, at least at one moment each year, and as a statement of minimum standards expected. But we also know not to place too much faith in the piece of paper that results and put in place our own monitoring processes, such as regular oil checks, servicing and driving with due care.

We all know that should an accident occur, possession of a valid MOT will certainly be scrutinised but will carry no weight if we have, through negligence, allowed the breaks to fail or driven the car dangerously. The fundamental and ongoing responsibility is ours.

SPS

Statements of Professional Standing (SPS) will be issued once a year by an Accredited Body, based on an adviser's qualifications, submitted CPD record and declaration, providing a snapshot of their ongoing technical competence. Just like an MOT in the motor industry, they will not provide an assessment of how they actually operate or whether they perform professionally.

There is an interesting dynamic being created by the introduction of SPS'. An SPS will be issued by an Accredited Body, whose primary professional and customer relationship will be with the adviser themselves. The adviser will have to evidence to the Accredited Body his qualifications, gap fill and produce CPD records; in order that these can be compared against the requirements.

An SPS cannot be seen by a distributor firm as anything other than a minimum threshold for an individual, en route to ongoing competency. Whilst a firm must ensure that an adviser has an SPS, they must also hold all of the information that was required to issue the SPS and much more. The adviser, firm or network must also be able to access to these records readily and be able to present them if required to the FSA.

Snapshot check

Indeed an adviser, firm or network will not only have to keep these records but demonstrate far more, in terms of adherence to the firm's own Training and Competency policies. An SPS will represent an independent, snapshot check that an individual has ticked all the boxes and performed their CPD duties in any 12 month period.

What is really critical about the new RDR rules is that a firm will have much more responsibility to evidence that an adviser's CPD activity is targeted, meaningful and effective. Firms need to actively manage their advisers' Continuous Professional Development, along with competency testing, assessments, observations and case checking, to ensure the road worthiness of their advisers.

Evidencing ongoing competency rather than the snapshot SPS is the real message behind the new regime and just as in the motoring analogy, it is the adviser, and in truth the firm, that is in the driving seat.

For the individual, they will also need to record a lot of information about their activity, competency and objectives. They will need to give much of this to the accredited body of their choice in order to obtain an SPS but if they are part of a larger firm or network; they will also have to give the same information and much more to this organisation too. This could be frustrating and painful if handled badly, with duplication of effort and consistency issues.

Double checks

In addition to the firm or network capturing this information from the adviser and assessing it against their own internal policies, they must also obtain evidence that an SPS has been issued to each adviser they represent. Whilst firms are not compelled to have a relationship with accredited bodies, it is difficult to see how they will fulfil their new obligations without them. accredited bodies need the same information from advisers that the advisers have already given to firms or networks and then must issue SPS' to advisers, which firms require to see evidence of. Run that by me again – who is sending what where?

In the most extreme case, you could imagine the chaos at the accredited body's headquarters as tens of thousands of shoeboxes full of paper CPD evidence arrive for logging and checking! Clearly there are some obvious challenges and even the potential solutions are fraught with the serious issues of data security and protection, contractual relationships and practical data standards. There are ways to tackle this situation but they require close co-operation between entities who, until now, have not necessarily even tried.