

Criteria for the inclusion of firms in the SIFA Directory

In July 2009 the Solicitors Regulation Authority issued guidance to solicitors which stated *“The SRA is aware that some law firms have been approached by multi-tied and tied advisers seeking to enter into restrictive arrangements to provide financial services to the law firms' clients. Firms must always act in the best interests of their clients. This means that they must refer clients to independent financial advisers for investment advice.”*

With effect from 1 January 2013, the SRA removed this prohibition against solicitors referring their clients to tied and multi-tied financial advisers, and the Law Society responded by taking *“the unprecedented step of urging the profession not to follow the SRA's new rules.”* A press release quoted Law Society Chief Executive Desmond Hudson as saying *“The inevitable consequence will be that solicitors may become more open to negligence claims ... or that the profession as a whole becomes embroiled in the type of mis-selling scandal that has plagued the financial services industry in recent times. The provision of independent advice has historically been one of the fundamental tenets of the profession.”*

Meanwhile, referring to the increased choice which the SRA decision was said to offer, the Law Society Gazette commented *“It's a bit like opening a new shark tank at your local swimming pool on the grounds that it offers the punters an extra choice of where to swim.”*

It is important to note, however, that the Law Society's definition of independence, which is the dictionary definition of being free from the influence of third parties, is different from an esoteric new definition of the term which has been adopted by the Financial Services Authority for the purpose of categorising the firms which it regulates, following its Retail Distribution Review. This concentrates principally on the scope of the service offered by the adviser.

In order to avoid confusion, SIFA has abandoned the acronym Solicitors Independent Financial Advice and substituted the acronym Supporting Impartial Financial Advice, and on the Law Society stated to FT Adviser that it was *“relaxing its guidance to solicitor members and will therefore endorse referrals to non-independent advisers where they are sufficiently 'impartial'.”* A spokesman for the Society commented *“We note that Sifa has clarified its position on the provision of independent advice to reflect the changes to terminology brought in by the FSA review. We regard this as a pragmatic move by Sifa in light of the Retail Distribution Review.”*

The financial adviser firms which are listed in SIFA's Law Society endorsed Directory all satisfy the test of being free from third party influence and providing conflict-free advice. Financial adviser firms which have a tied relationship with one or more providers of financial products are excluded from the Directory.

