



Association of British Insurers



Andrea Leadsom MP
Economic Secretary to the Treasury
HM Treasury
1 Horse Guards Road
London
SW1 2HQ

24 July 2014

Dear Andrea

Simple Financial Products

The purpose of this letter is to update HM Treasury on the industry's progress in delivering 'simple financial products'. This work is being led jointly by the Association of British Insurers (ABI), British Bankers Association (BBA), and Building Societies Association (BSA).

The trade associations' application for a simple products framework using the Trading Standards Institute (TSI) Consumer Codes Approval Scheme has been submitted to the TSI Board, which approved stage 1 of a 2 stage approval process on 15th July.

We are now focussing on the practical steps needed to launch the TSI model as early as possible in the final quarter of 2014:

- Drafting the submission for stage 2 TSI approval;
- Setting up the Community Interest Company to be the delivery body, as well as a governing board made up of key consumer bodies such as Which?, Money Advice Service, the Financial Services Consumer Panel and Citizens Advice and the 3 trade associations (ABI, BBA, BSA);
- Adopting a name and logo for the suite of simple products;
- Establishing the accreditation process for companies wanting to put a simple product on the market;
- Establishing exactly how the TSI model will be monitored and reported (to be outsourced to a third party in 2015);
- Clarifying 2015 operational resource needs and costs.

Barclays has recently informed us that they have been working with the British Standards Institution (BSI) to develop a BSI simple products certification scheme. They have taken this approach because they were eager to make a 'simple product' available for consumers. This will operate in parallel with the Trading Standards Institute (TSI) model we are developing. They will launch a fixed term life insurance product (to be provided by Aviva) shortly.

While multiple accreditation frameworks were not envisioned in the development of the simple products initiative, we think that with careful handling it will be possible for the two to co-exist successfully. We recognise the potential for consumer confusion that the existence of two schemes could give rise to. The three trade associations are working closely with the BSI,

Barclays and Aviva to minimise this and reinforce the objectives of the simple products project, so that the creation of two simple product accreditation models does not confuse consumers or in any way undermine the objectives of the simple products project.

It has been agreed that the BSI model will:

- Use exactly the same product standard for term life assurance as was developed for, and included in, the final Sergeant report;
- Use the same standards as the proposed TSI model for all simple products, so that consumers get the same product whether the provider uses the TSI or BSI model;
- Operate in parallel with the proposed TSI model, so providers / distributors wanting to offer simple products will choose whether to use the TSI or BSI accreditation;
- Use the same logo & name as the TSI model, being developed by the trade associations in consultation with consumers and key stakeholders;
- Use a different accreditation process, designed by BSI;
- Use a different monitoring & compliance process, whereby BSI will visit the firm providing the product and audit their compliance;
- Ensure that the standards underpinning both frameworks remain the same, and do not diverge in future

We have informed the consumer bodies involved and TSI of this development, and assured them we are all working to achieve a pragmatic solution and encourage public confidence in simple products. In the meantime, the ABI, BBA & BSA are continuing to progress the TSI solution and are considering the feasibility of accelerating delivery.

We recognise that for effective consumer outcomes simple products need to be delivered in a clear and understandable way. We are all working to ensure joined up messaging on the initiative and joined up working across all of industry, including those leading the alternative approach, to ensure simple outcomes for consumers.

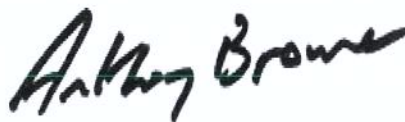
Yours sincerely



Otto Thoresen

Director General

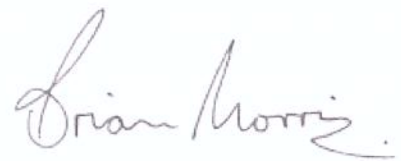
Association of British Insurers



Anthony Browne

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