# MoneyMarketing

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# Standard stand-off leads to mutual review

By Sonia Speedy and John Greenwood

Standard shellshock: The company hit the Edinburgh headlines on Tuesday

Standard Life is taking the first step down the road to demutualisation after six weeks of bruising negotiations with the FSA over its financial strength, with a recommendation of whether it should float expected by the summer.

In a shock move which sees Standard chief executive Iain Lumsden stepping down to make way for Standard Life Investments chief executive Sandy Crombie, the life office has announced a strategic review following talks with the FSA about the implementation of new accounting rules.

IFAs say there is no threat to Standard as a viable business although some say that the loss of one of the few remaining big mutuals would limit consumer choice.


Lumsden: Chief casualty

Independent insurance analyst Ned Cazalet says Standard's with-profits fund looks effectively closed and warns that the firm could be forced to sell £7bn worth of equities to reduce its equity weighting.

But Standard finance director John Hylands rejects Cazalet's claim, saying there is no evidence that the fund is closed, stressing that the life office has a strong financial base and could continue writing new business with or without new cash.

The stand-off with the regulator has led the FSA to appoint an independent review into Standard's accounting procedures.

Standard & Poor's downrated the group, lowering its financial strength rating from AA- to A+.

Any decision to demutualise will ultimately be made by 2.5 million of Standard Life's with-profits policyholders who have voting rights.

Hylands says: "There is an issue for us over having potentially a large diversified financial services business with all the capital in a with-profits fund when the with-profits part of the business is a relatively small part of the whole. We are not there now but we could be if these trends continue."

Cazalet says: "We would dismiss talk of Standard Life being 'strong' and seemingly having billions of pounds of spare capital sloshing about in its statutory returns as meaningless burbling."

Master Adviser managing director Doug Brodie says: "I have no problem leaving my clients in Standard Life with-profits funds but there is a concern that external forces could cause a run on funds that could leave it pushed into cash, gilts and corporate bonds."


● Standard Life details, p3


# 1% cap forces Widows to scrap commission on low premiums

By John Greenwood

Scottish Widows says the stakeholder charge cap has forced it to axe commission for some group pension business.

It will no longer pay commission on new group personal pensions, occupational money-purchase and stakeholder schemes where there is no employer contribution or where the average premium per member is £100 or less a month.

It will closely assess all new schemes with annual premium income of more than £250,000 before offering terms, to avoid businesses where staff turnover is high.

Widows says the change, which takes effect for all new schemes quoted from January 26 and business transacted by March 22, will affect around 10 per cent of its corporate pension business.

Scottish Widows corporate pension sales director Iain McGowan says: "We have reviewed what is profitable and what is not and found that group personal pensions, occupational money purchase and stakeholder do not work for us within the 1 per cent charge cap for lower-premium business."

Syndaxi Financial Planning partner Robert Reid says: "Widows is trying to protect itself financially. This shows it is all very well having a catchy price cap but if it does not allow enough cost to make it work you simply cannot do it."

Beric Webb Associates principal Beric Webb says: "Widows' decision that it is not economic to trade below this level will have the effect of discouraging business from advisers living off commission only."

# Turn-round as IFAs back move to rethink status

By Chris Duncan

IFAs have overwhelmingly backed Standard Life's decision to consider demutualisation despite having championed its policyholders' rejection of a carpetbagging attempt three years ago.

Seventy-three per cent of respondents in a poll of 117 Positive Solutions RIs say they endorse the move, a massive reversal from early 2000 when 89 per cent of IFAs supported policyholders who voted for Standard's mutuality.

The majority of Assureweb users have also thrown their weight behind Standard's latest decision, with 68 per cent of the 75 RIs questioned saying they back the life office.

There are discrepancies between the polls about Standard's £30bn with-profits fund, however. Fifty-six per cent of Positive Solutions RIs say they will not transfer clients from the fund (44 per cent say they might) while only 48 per cent of Assureweb RIs agree. The same number – 48 per cent – admit they will consider shifting clients while the remaining 4 per cent say they have yet to decide.

Both polls reveal that IFAs are unlikely to shun Standard as a company, with 85 per cent of Positive Solutions RIs and 68 per cent of Assureweb RIs saying they will consider placing new business with the life office.

Positive Solutions says IFAs' about-face on demutualisation shows the impact of tough new accountancy and solvency rules.


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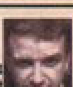
GOING FOR GOLD



Chris Regan left the family gold bullion business for financial services, was a driving force for Woolwich IFA Services and now aims to take M2 Financial to the top

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