



**T**he FSB is in the process of making the fair treatment of customers a legal requirement. However, financial advisers should already have fostered a business culture in their practices to ensure clients always get a fair deal.

“The introduction of regulation on Treating Customers Fairly (TCF) will enhance the professionalism of South Africa’s financial services industry,”

says Ian Middleton, Masthead managing director. The proposed regulations, which follow a world trend towards TCF, are based on the work done over the last 12 years by the UK’s Financial Services Authority.

#### Client retention

“While TFC regulations will benefit the customer, the practice of treating customers fairly makes good business sense for advisers,” says Middleton. “Retention of customers is one of the key financial drivers that boost the capital value of a practice. Therefore it makes sense to focus on behaviours that help to retain clients.”

Middleton explains: “Much of the capital value of a practice lies in the security of a revenue stream from clients, and the certainty or predictability of the revenue stream is linked to the customer remaining a client. Clients who are treated fairly are likely to form a long-term, trust-based relationship with an advisor.”

#### What is fair?

Although the FAIS Act gives guidance on how to treat customers fairly from an advice perspective, fairness in the context of the client-broker relationship means clients can expect to receive what they have contracted for. Furthermore, it entails determining and considering the interests of each client in the process of giving advice and implementing financial advice solutions.

“The more advisers know about their clients, the easier it is to build loyalty, trust and confidence,” says Middleton. “Those feelings inspire clients to resist offers from competitors and to refer their friends and colleagues. Ultimately, treating customers fairly trans-

lates into loyal clients who are happy to work with an advisory practice, even when there are service breakdowns.”

#### Communication is crucial

Fairness requires open, honest and clear communication. Interacting more regularly with clients and asking for feedback is an excellent way to identify how they would like to be treated and what they need. “By responding to client requirements, you support the long-term relationship and continue to build significant value in your business,” says Middleton.

Research conducted by the Financial Planning Association in the UK revealed that advisers who spend the greater part of their working time communicating with customers are more successful in gaining new customers. Those who spend more than 30 hours per week communicating in a variety of ways gain 10% more customers than those who spend less than 10 hours a week on communication. In Australia, the 32% of practices that formally asked for client feedback showed a higher average profit than the practices that did not ask for their clients’ opinions.

#### A culture of fairness

“From a Masthead perspective, we are firmly committed to fairness, reflecting this in our relationships with member advisers, product partners and regulators,” says Middleton. “Our code of conduct requires members to operate with values such as integrity, honesty and trust. These stimulate a culture of fairness and set standards that will benefit consumers and increase their confidence in the financial services industry.”

Customers who deal with Masthead advisers “have peace of mind because their advisers abide by a code of conduct and adhere to acceptable business standards,” says Middleton. “Studies indicate that being associated with a reputable brand is important to customers, and the Masthead brand gives that comfort.”

Give your customers peace of mind by joining Masthead. Contact your regional Masthead office or visit [www.masthead.co.za](http://www.masthead.co.za).

