



Devonshire Claims Services

Since its creation in 1998, Devonshire Claims Services Ltd (DCS) has specialised in handling claims against professionals operating in the financial sector.

These encompass a wide range of professions such as accountants, auditors, trustees, insurance brokers and banks. Our main concentration, however, is Financial Advisers.

Of the 14,300 claims that DCS have administered in the last 6 years, almost 6,900 (48%) related to claims against Financial Advisers. From sole traders and small partnerships with nominal excesses and moderate policy limits to global entities with millions of pounds of cover and substantial self-insured retentions, DCS have provided the requisite expertise to help resolve financial advisors' professional negligence claims.

Throughout that time we have encountered Phase II Pensions Review claims, FSAVC issues, Mortgage Endowment complaints, the Split Caps scandal and the aftermath of the Lloyds TSB judgment. We are currently being asked by a number of IFA's and insurers to advise on the recent Time-Barring issues being raised by product providers following the recent FSA ruling.

In addition, DCS have administered entire claims portfolios for a number of large IFA networks such as The M&E Network, The IFA Network, and Bankhall.

Pension Review

Our dedicated claims team have experience of IFA business, pre-dating the creation of DCS,

including Phase I of the Pensions Review and the landmark Rothschild –v- Collyear case.

Prior to setting up DCS, Neil McManus and Neil Sully worked for Syndicate 657 at Lloyd's (subsequently referred to as the Collyear syndicate at Lloyd's) who were the insurers of a number of IFA operations, one of which being J Rothschild. In this capacity, both were heavily involved in the landmark case that changed the way the insurance market dealt with Block Pension notifications from financial advisers. Similarly, they were also closely involved in the Hambro Assured situation.

Throughout Phase I and Phase II we continued our interest and association with IFA claims at DCS, working for underwriting agencies specialising in IFA business. We instituted a procedure where, on the receipt of each review request DCS, in conjunction with specialist actuarial adjusters, reviewed compliance, causation and quantum. To date, DCS have processed claims in excess of £25Million arising from the Pensions Review and have saved both insurers and IFA's hundreds of thousands of pounds.

FSA/FSCS

Since The Financial Services Authority (FSA) was

given statutory powers by the Financial Services and Markets Act 2000, we have been in regular correspondence with them and the Financial Services Compensation Scheme (FSCS) – regularly negotiating global settlements in respect of financial advisors liabilities for outstanding pension review cases several years after the supposed deadline for completion of the review. DCS have also ‘bucked the trend’ by regularly co-ordinating and submitting cases where the Ombudsman finds in favour of the IFA.

As most IFA's will be acutely aware, with the Pension Review problems drawing to a close, other investment products have come under the close scrutiny by the FSA.

Endowment Complaints

DCS have been heavily involved with the Endowment Mortgage mis-selling debacle, handling over 3,000 complaints against the industry equating to over £6,000,000 in potential shortfalls. DCS collate basic information from the client, including the target figure and anticipated shortfall in order to establish quantum, before assisting the IFA's with the drafting of appropriate responses in line with the regulatory requirements. Often, denials of liability can lead to a referral by the policyholder to the Financial Ombudsmen Scheme (FOS). Once in the hands of the FOS the opportunity for pro-active commercial handling is stifled often leading to increased losses in the future. Therefore, if appropriate, DCS instruct and steer actuarial adjusters to assist the Insured in a sensible economic resolution of the claim.

DCS expect further confusion and problems following the new FSA rule on endowment complaint time barring that came into effect on 1 June 2004. This requires the IFA to make clear to

policyholders that they have 3 years from their first ‘red letter’ to complain and that they issue the time bar warning at least 6 months in advance of the date when the customer would be time barred from making a complaint.

Split Caps

DCS have also been heavily involved in the claims arising from the recent Split Caps/Precipice Bonds scandal. Despite the FSA recently confirming to several senior city executives told that they were no longer interested in pursuing a formal investigation into mis-selling, several firms have had complaints or claims against them, either individually or as part of a class action via Class Law. DCS have endeavoured, with some success, to place the burden for any losses in this investment product on the providers for misleading information and/or projections rather than against the IFA for mis-selling.

Going Forward

It is our view that the FSA will continue in their relentless pursuit of all forms of financial investment provided to the public. This could mean future investigations into a multitude of areas, with products such as Pension Drawdowns, With Profits bonds, Stakeholder pensions hotly predicted to be next in the firing line. With this in mind, DCS continue to be closely associated with the industry and alive to the ever-changing issues and concerns within the IFA community.

DCS pride themselves on working with IFA's to administer and resolve claims and complaints to the satisfaction of all parties. The combination of the IFA's detailed technical knowledge of the products concerned, together with the claims handling and insurance expertise of DCS makes for a formidable team..