



# Do YOU have YOUR referral process in place?

***As Managing Director of an organisation whose raison d'être is to assist quality financial advisory businesses build relationships with solicitors, you might forgive me for having a keen interest in how SRA regulated firms will adapt to the incoming Standards and Regulations, when it comes to client third party referral.***

Under the new dual code system arriving in November, the regulator is very clear that they expect with a capital E, the management and compliance officer to be installing processes and systems to facilitate best practice and instruct individuals within the practice. When it comes to where solicitors refer clients who require complimentary financial planning, this will mean that between now and the advent of the new era, firms should have conducted thorough due diligence on the likely recipients of these financial planning referrals.

The SRA reiterated this to SIFA Professional delegates at our recent conference and the expectation described above is clear. In reality it is all about the new Principal 7 and demonstrating that a referral is in the clients best interests and I quote – “Referrals to

a third party should be based on a measured approach aiming to benefit the client.” What is also obvious is that another principle, namely ‘Independence’ comes into play – “Law firms should retain their independence – Can you justify referring clients to the same third party?”

To us at SIFA Professional best practice will therefore be for law firms to settle on a short panel of quality financial planning partners, selected for their expertise and qualifications and not on individual personal relationships, as may have been the case in the past. Once this panel is determined, hopefully, well ahead of November 25th, this should be presented to all in the firm who may need to refer clients for financial advice as a centralised and compulsory firm policy. This way the firm will ensure that all individuals act professionally within their own individual code and raise standards for clients, the aspiration of the new regime.

A further point of interest raised by The SRA brings into focus, the fine line between the rules and what is logical, professional best practice. When a referral to a third party, where there is a financial interest for the solicitor, the new rules require the client to give informed consent before the referral is made. Where there is no financial interest or fee sharing and the referral is made to an unconnected third party, the solicitor need only demonstrate why he or she, or the firm believe the referral is in the client’s best interests. However logic suggests a rather different process as when showing the client why you believe the referral is in their best interests (the due diligence and research the firm has conducted,) surely one would ask the client if they understood and were happy for you to make the referral, particularly when there may be personal data involved. In the SRA’s own words in June – “Clients should understand and agree to what is happening.”

To summarise, ahead of November, the management of SRA regulated firms should have undertaken research and due diligence to ensure the third parties to which they refer are demonstrably in the clients’ best interests and have a process to ensure all parties within the firms adhere to that process. Having that research available to show the client on point of referral will be key and best practice suggests seeking the clients’ approval at that juncture for the file.

When it comes to your research and due diligence on financial planning partners you might wish to see if there is a SIFA Professional firm near you by searching on the Law Society endorsed SIFA Directory - <https://www.sifa-directory.info/> ■

**David Seager**  
Managing Director of SIFA Professional

 **SIFA Professional**

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Endorsed by the Law Society of England and Wales, the SIFA Directory is a comprehensive resource of impartial financial planning firms equipped to work with solicitors in 2019 and beyond.

Your new principle based standards and regulations insist you always act in your clients’ best interests and that includes where you refer clients requiring complimentary financial advice.

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