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Mr David Thomas
Corporate Director and Principal Ombudsman
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Our Ref: Retail Policy/EH

Dear *David,*

Wider implications: Lehman-backed structured products

In May 2009 we asked you to consider deferring decisions on cases about these products, to enable us to consider regulatory action. The regulatory options available to us may have greater potential to remedy detriment to more consumers affected by these products.

You welcomed the prospect of a regulatory solution and agreed to defer issuing decisions for the time being, on the basis that the position would be reviewed in early August. This letter updates you on the current position.

Some of the work we have carried out is described below. But there are other aspects that we cannot discuss publicly at this time, as this may prejudice any future regulatory action we decide to take.

In the light of this, we are now asking you to continue to defer issuing decisions for a further three months. On the basis of the information available to us, we believe that it would not be in the interests of affected consumers for you to press ahead with individual decisions.

We recognise that this extension will mean a further delay for investors who have lodged complaints with you. However, this will give us more time to progress our work with the aim of reaching the best possible outcome for all affected consumers.

Marketing literature

We have carried out a review of a significant sample of marketing literature for both Lehmans and non-Lehmans-backed structured products. This included a series of visits to the plan managers to explore the systems and controls in place for the sales and marketing material.

We are also reviewing provider literature to assess the clarity with which it describes whether investors have access to the Financial Services Compensation Scheme (FSCS).

Quality of Advice

We have set up a thematic project to assess the quality of advice given by a sample of financial advisers who sold Lehmans-backed products. We have completed the initial pilot visits and plan to have completed the remainder of the visits by September.

Wider market review

To enhance our understanding of the retail structured products market, its size and risks; we asked a number of providers of these products for informaton on their structure. We continue to assimilate this data and intend to use this information to help inform any further work which may be undertaken. In the meantime, for consumers we have updated our 'moneymadeclear' webpage on structured products to highlight the characteristics and potential risks of structured products more generally.

Yours sincerely

Ed Harley
Head of Department
Conduct Retail Policy

