

## Chapter 6

# Information about the firm and its services

## 6.4 Charging for funeral plan distribution

### Application

6.4.1 **R** This section applies to a *firm* which carries on *funeral plan distribution*.

6.4.2 **G** This section does not apply to a *funeral plan provider* in connection with its *entering as provider into funeral plan contracts*.

### Purpose

- 6.4.3 **G**
- (1) The purpose of the *rules* in this section is to ensure that *funeral plan intermediaries* act in accordance with the *customer's best interests rule* and are not improperly influenced in their *funeral plan distribution* by payments made, or benefits provided, by *funeral plan providers*. In particular, the *rules* in this section prevent a *firm* from accepting commission from a *funeral plan provider*.
  - (2) The *rules* in this section apply whether or not the relevant *funeral plan distribution* involves the provision of *investment advice*.
  - (3) *Firms* should be mindful of the *customer's best interests rule* when considering their approach to compliance with the *rules* in this section.

### Requirement to be paid by the customer

- 6.4.4 **R** A *firm* must:
- (1) only be remunerated for its *funeral plan distribution* (and any other related services provided by the *firm*) by *FP distribution charges*; and
  - (2) not solicit or accept (and ensure that none of its *associates* solicits or accepts) any other commissions, remuneration or benefit of any kind in connection with the *firm's* business of engaging in *funeral plan distribution* or any other related services, regardless of whether it intends to refund the payments or pass the benefits on to the *customer* or *covered individual*,

except as provided in this section.

- 6.4.5** **R** 'Related service(s)' for the purposes of **■ FPCOB 6.4.4R** includes:
- (1) *communicating or approving financial promotions* in relation to a *funeral plan contract* or *regulated funeral plan activity*;
  - (2) *recommending a funeral plan provider*.
- 6.4.6** **G** **■ FPCOB 6.4.4R** prevents a *firm* from receiving any monetary or non-monetary benefit either in relation to the distribution of particular *funeral plan contracts* or in connection with its business of marketing, selling or distributing *funeral plan contracts* more generally.
- Group distribution arrangements**
- 6.4.7** **R** If the *firm's funeral plan distribution* relates to *funeral plan contracts* entered into by the *firm* itself or by an *associate*, the *firm* must ensure that the level of its *FP distribution charge* is at least reasonably representative of the services associated with its *funeral plan distribution* (and related services).
- 6.4.8** **G** A *firm* should consider whether the level of its *FP distribution charge* meets the requirement of **■ FPCOB 6.4.7R** by reference to whether the charge would be appropriate in the context of the service being provided by a *firm* unconnected with a *funeral plan provider*.
- Guidance on the requirement to be paid by the customer**
- 6.4.9** **G** **■ FPCOB 12** restricts a *firm* engaged in *funeral plan distribution* from accepting payment other than in certain circumstances. **■ FPCOB 12** does not prevent a *funeral plan intermediary* from receiving an *FP distribution charge* from a *customer* as contemplated by this section (see **FPCOB 12.4.4R**).
- 6.4.10** **G** **■ FPCOB 6.3.2R** requires a *funeral plan intermediary* to inform the customer of the amount of any *fee payable*. That disclosure should include any *FP distribution charge payable* by the *customer*.
- Payment for funerals**
- 6.4.11** **G**
- (1) **■ FPCOB 6.4.4R** applies to providers of funerals (such as funeral services providers) which engage in *funeral plan distribution*. However, that *rule* only restricts the receipt of payments or benefits in connection with the business of engaging in *funeral plan distribution*.
  - (2) **■ FPCOB 6.4.4R** does not prevent a provider of funerals from receiving payment for the provision of a funeral from a *funeral plan provider* under the terms of a *funeral plan contract*. For these purposes, it does not matter whether payment for the funeral is received at the time that the *customer* enters into the relevant *funeral plan contract* or at any other time thereafter.
- 6.4.12** **R** A *firm* which carries on *funeral plan distribution* and is also a provider of funerals must ensure that:

- (1) the level of its *FP distribution charge* is at least reasonably representative of the cost of the services associated with its *funeral plan distribution*; and
- (2) any payments which it receives from a *funeral plan provider* under a *funeral plan contract* are reasonably representative of the cost of delivering the relevant funeral.

**6.4.13** G A payment is unlikely to be reasonably representative of the cost of delivering the relevant funeral if it is materially greater than the same payment would have been had the relevant *firm* had no involvement in the sale or distribution of the *funeral plan contract*.

### Training and support

**6.4.14** R A *firm* may receive:

- (1) training on the *funeral plan contracts* in relation to which it carries on *funeral plan distribution*; and
- (2) appropriate support with complying with its obligations under the *regulatory system* from a *funeral plan provider*.

**6.4.15** R Any training or support received for the purposes of ■ FPCOB 6.4.14R must be:

- (1) of a scale and nature that it could not be judged to impair the firm's compliance with its duty to act honestly, fairly and professionally in the best interests of the *customer* or *covered individual*; and
- (2) reasonable, proportionate and of a scale that is unlikely to influence the *firm's* behaviour in any way that is detrimental to the interests of any relevant *customer* or *covered individual*.

**6.4.16** G The *rules* in this section do not preclude a *funeral plan intermediary* from receiving from a *funeral plan provider* any materials necessary for the *funeral plan intermediary* to engage in its business of *funeral plan distribution*. This may include the product information for the purposes of ■ FPCOB 9.

### Payments to employees

**6.4.17** G The *rules* in this section do not prevent an *employee* of a *firm* receiving payment from that *firm*.

### Record keeping

**6.4.18** R A *firm* must keep a record of the *FP distribution charges* paid by each *customer*.