



Adviser concern over Genistar bid to fill gap in the middle

6 December 2010 8:00 am

Advisers have raised concerns that Friends Provident tied agent Genistar is sending its salesforce out with an average of 30 days' training to sell protection and refer people for other financial products, including mortgages and investments.

Genistar sells life insurance and critical-illness cover through its network of 700 self-employed appointed representatives. It also has several commercial partners to which it refers business.

Mortgage enquiries and debt management cases are passed to Surrey Finance Bureau, which in turn outsources debt management cases to Abacus Finance, among others.

Buildings and contents cover is arranged through Assurant Intermediary and Higos handles other insurance products such as commercial insurance and car insurance. For investment queries, a referral form is filled out and passed to F&C Asset Management.

The company has been running a pilot over the last two months with claim management firm Maple Leaf Financial. Clients are referred to Maple Leaf where they are thought to have potential misselling claims for payment protection insurance.

The Genistar website claims many of its part-time ARs earn an extra £200 to £400 a month.

To be able to sell life cover and give referrals on other financial products, ARs have to first observe two live fact-finding interviews. They then study a 50-page manual and have to achieve a 70 per cent pass rate on a 50-question multiple-choice exam. The pass rate among those taking the exam for the first time is about 70 per cent. The exam can be retaken. ARs also have to pass a role-play competency assessment by carrying out a fact-find with a company manager.

Genistar co-chief executive and marketing director Jeff Lestz says, on average, the training process takes around 30 days, although he points out that only 30 per cent of applicants make it through the entire process. The firm works on referrals only and encourages consumers to recommend 10 others who they believe would benefit from the company's "financial education" presentations.

Lestz says: "Where we are really different from other companies is that we have a rule that says you cannot purchase anything on the first interview even if you wanted to. Many people have ended up making financial blunders as a result of being pressured into something.

"In the first interview, we spend between half an hour and 45 minutes going through a financial education presentation, covering concepts such as getting out of debt and avoiding paying high interest rates on credit cards."

Genistar is authorised to give advice on life and critical-illness cover. It is planning to restructure its business model so its self-employed agents will no longer be ARs of the company but instead will be introducer appointed representatives. Lestz says this allows them to introduce business without giving advice or guidance. He says agents can then educate people about the concepts of other products before referring cases to a qualified adviser.

Lestz says the Genistar model is simple, based on basic concepts such as setting up a budget or selling life cover. He says: "Those are not exactly rocket science. The fact is the IFAs of today are really not interested in helping someone to invest £25 a month in an Isa.

"The IFAs that I have met are being squeezed and forced to deal with wealthier people. I would say that 99 per cent of the people that we go out and talk to in the middle-income market have never even spoken to an IFA.

"There is a huge gap in the market for people to get financial education. I think that is one of the reasons our model is successful and will continue to work. People are hungry for knowledge."

Genistar's stated goal is to eventually have 10,000 associates working as part of the company's network.

Lestz says: "There are predictions that by the time the retail distribution review has come into force, there will only be 10,000 IFAs. If there are 10,000 IFAs and we have 10,000 int-roducers, we will be as big as the rest of the industry."

He acknowledges that his model may be criticised by others in the financial services industry but he adds: "Someone has got to serve the middle-income market and if somebody else can come up with a better answer I would like to hear it."

Yet advisers remain concerned that the training is not robust enough.

Baronworth Investment Services director Colin Jackson says: "If you are going to advise, you have to take the relevant qualifications and a tick-box questionnaire is not going to cover it. You cannot advise after 30 days training, it is just not possible."

Yellowtail Financial Planning managing director Dennis Hall says: "I do not really get the model. I have met some of the agents and they come across as though they are accountants or that they are helping people with their debt problems but I am not sure they are that up front about the fact they are there to shift protection products."

"To be able to offer this service as an IFA, you would need to do more than one exam. Fifty multiple-choice questions do not sound enough to me."

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Readers' comments (9)

- Jeffrey Lestz | 6 Dec 2010 10:44 am

We are not IFAs and our model is based on referrals to qualified advisors who have CeMAP,CeFA or more experience in the field.

Lets face it all IFAs were new at one time in their career.

Our newer reps just educate people on the basics of finances & then do a fact find.

We are in the middle income market that the vast majority of IFAs do not even want to talk to.Many of our clients need direction on how to get out of debt first before they make any other financial decisions.

Many IFAs have used introducers for years.

All we are doing is expanding that programme to the masses . In my opinion the middle class market have no other choice available other than getting ripped off by a bank.

When we run into someone who has an IFA who has done a good job,we congratulate the consumer on their choices,get referrals and move on.

Sometimes those clients who are already educated & have had their personal finances put in order by an IFA are some of our best associates and introducers.They know what we do is good because they have been doing it themselves for years.

As RDR hits in 2012 I believe many of the IFAs will be getting out of the industry .There is no other firm bringing in new people to train.We simply do it on a part time,no pressure,educational basis.

I was an IFA and manager of an IFA firm for 6 years and have been using this exact model for the past 29 years . I have 35 years industry experience and know this model works and helps people.It is new to the UK .Anyone who has questions about what we do we are happy to address your concerns.

Jeffrey Lestz,Co CEO,Genistar Ltd.

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- Jan Owbridge | 6 Dec 2010 11:50 am

As someone who has spent my life teaching and training people in life skills, i was shocked at how little I knew about money.

My experience with Genistar led to become an Appointed Representative. I personally took SII industry qualifications and qualified as an investment adviser and I can honestly say that nothing I learned in that process has helped me to help families with their debt, life cover, forward planning, etc. The only area I have

used the learning is, is investments.

With hundreds of very satisfied clients (many of them now representatives themselves), and have been amazed at how little people know about their financial needs - whether they have seen an 'adviser' or not! Most people's knowledge of life assurance is that they were sold it 'on the mortgage' - they are even unaware that it is not 'attached' to a mortgage.

Education is the great leveller, and first hand experience has convinced me that, not only does this model work, and work well, but that thousands of families - previously in financial ignorance - are having their eyes opened and are now able to make informed decisions about their financial future.

Proud to be part of Genistar!

- Anonymous | 6 Dec 2010 11:55 am

Its interesting that one "expert" admits he doesn't understand the Genistar business model but has formed an opinion and made assumptions anyway and the other feels that a Genistar cant advise on 30 days training.. surely if the FSA were not satisfied with the training and the ongoing development and training that all Genistar associates have they would not license them? isnt this quite typical of people forming opinions without actually checking out all the facts for themselves.. My experience with a Genistar associate is that they gave me a great education and showed me how to work things out for myself so I could make informed decisions and not just trust the word of a so-called expert. Certificates and letters after a persons name does not guarantee integrity and a good ethos. Keep up the good work Genistar, I am sure you will continue to ruffle the feathers of some in the industry who are perhaps concerned at being exposed.

- Bob Safford | 6 Dec 2010 3:05 pm

I would like to commend Money Marketing for stimulating further debate on the Professional Standards aspects of the RDR. Messrs Hall and Jackson both bring up a valid concern; it would be impossible to give comprehensive financial advice without becoming a fully trained and qualified Advisor.

But the Genistar model is different. Our people are qualified to give an educational presentation, collect information and then our system will generate a computerised Financial Game Plan (a detailed fact find) that helps families identify their needs. At that point, where an investment linked financial planning need is identified; a family is referred to a qualified IFA in order to handle the advice element of the transaction.

RDR mandates more qualifications and more structured CPD for the IFA. However, is that going to help the average family who cannot justify the fees for low volume investment advice beyond the RDR deadline? Will they really pay a fee to begin a £50 per month ISA? Where will consumers go for help with this level of transaction? To their friendly bank employee, of course! How is the advice model doing there?

I think we can all agree that many consumers will still want to seek out free advice on simple 'Sandler type' products. Will they all accept 'self-service' and be confident to transact without the help of an intermediary?

Bob Safford, Jr. Co-CEO Genistar, Ltd, CeFA

- Steve Owbridge | 6 Dec 2010 5:26 pm

3 years ago I was £95,000 in personal debt with real understanding or plan of how to get out of the hole. Banks and credit cards adding interest and increasing my debt making it almost impossible. I couldn't see a light at the end of the tunnel.

Genistar gave me a financial education and showed me some concepts that I implemented. Since joining Genistar and really understanding how to accelerate my debt and pay everything off more quickly I have become completely debt free and am now working with the company helping families in the same way that Genistar helped mine. There is no "hard sell", in fact "sell" isn't really the word I would associate with what they do, its more like, give people the facts, teach them and let them decide for themselves what they feel is best for their families financial future. Isn't that how it should be?? Genistar is not anti-IFA, its anti "bad IFAs" Many IFA's do a great job but some dont. Genistar simply teaches gives families knowledge so they can make smarter and more informed decisions.

- tony levane | 10 Dec 2010 9:34 am

This thread seems to have been virtually monopolised by 'Genistar. Take a look at my Guardian article <http://tinyurl.com/3xln4ox> which shows what really goes on and how the reps really think. I spent some time talking to Genistar people outside the top - they see this as a quick road to riches. And this is reinforced by Genistar literature. This is a multi-level organisation - but then so were many of the direct sales forces of the 1990s - remember General Portfolio and Porchester???

- Jeffrey Lestz | 11 Dec 2010 2:57 pm

Not sure Genistar monopolised the comments, just took more of an interest in it.

If any rep sees this as a quick road (I guess it depends how you define quick) to riches they are not thinking correctly.

As for the literature I think making £500-,1,000 per month part time after a few months of training is not get rich quick .

Yes, we have some people earning £50-100K+ per year and yes they should make more in the future as they build their residual income.

Does it have a multi level element to what we do? Yes. But it also has elements of direct sales, corporate structure, education and a few other business models. Genistar is a 'hybrid' business model built for someone who has an entrepreneurial spirit but does not want to go risk a lot of money.

- Don | 31 Dec 2010 8:38 am

It is amazing how many people become an expert in an area especially when they are not in agreement with the idea.

Tony Levene is insinuating that Genistar is misleading its reps because he probably does not agree that the Genistar system is not a Con.

Jeff Letz and Bob Safford Should encourage the most successful reps at Genistar to share their experience within this forum. What they had to do, sacrifices they had to make and their thought generally.

Standing outside, I am amused at the various opinions here.

Finally, I will say any dodgy or Ponzi business don't usually last. We are watching. From where I stand and my business intelligence and findings, Genistar seems to be OK.

- Anonymous | 22 Jun 2011 2:17 pm

<http://www.benjamin Dennehy.com/2011/05/24/my-advice-steer-clear-of-genistar/>

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