

APRIL 2013

# UNITE

THE UNION IN AXA WEALTH

Are you  
impacted by the  
announcement?

Talk to lead rep  
Geoff White...

## BANCASSURANCE AXED

**AXA Wealth announced plans to lay off one-quarter of its entire workforce yesterday. Unite are bitterly disappointed with the mass redundancy. 453 employees were told they are losing their jobs as the company moves to close its unprofitable Bancassurance operation. This follows 174 redundancies in the operation last year following a business review.**

Whilst members knew that a review of the business was in place and that some changes were likely as a result of the tightening regulatory framework and wider economic outlook, the announcement that the whole Bancassurance operation is to close will come as a shock.

Less than a year and a half ago **AXA** was lauding the new seven-year distribution deal with the **Co-Op Banking Group**, stating that this partnership was "beneficial to both our businesses". A little over fifteen months later **AXA** is pulling the plug on this deal, as well as that with the **National Australia Group (Clydesdale and Yorkshire Banks)**.

These ventures have not only cost the company millions of pounds but also hundreds of hard working staff find themselves, through no fault of their own, in a redundancy situation in a difficult employment market.

**Unite** have challenged **AXA** over its reason for the closure and the company's response is that one of the main factors leading to its decision are changes in regulation introduced as part of the *Retail Distribution Review (RDR)* which means that the costs of providing advice to customers in a Bancassurance arrangement need to be met solely by the charges levied for that advice (and not from, for example, charges levied for

manufacturing products to those customers.)

The weak economic conditions alongside the increased regulatory burden on evidencing good advice has meant that a model could not be developed which met this criteria, whilst at the same time offering the advice at an affordable level to clients.

Legal and regulatory change that effects competition law means that the distribution segment, i.e. the advisors, has to be profitable on a standalone basis. In **AXA's** model this would mean advice charges rising to unacceptable levels as the company would not be able to use profits from the underlying product or investments to support the costs of the advisors.

Despite working exhaustively with **Ernst & Young** no solution could be identified.

Whilst there may be a degree of criticism that can be laid at the **FSA's** door for making Bancassurance no longer viable for companies, **Unite** believes the **FSA** is acting due to wider industry mismanagement and historical bad practice that led to mis-selling and which required their intervention.

**Unite** also challenged **AXA** on why it was not possible to transfer part or all of the operation to another supplier in an effort to protect jobs. **AXA's** response was that the service it is currently

providing to **NAG** and **Co-op** under the distribution agreement is not being provided by them or another supplier going forward, but is ceasing, TUPE will therefore not apply. As such, all employees currently supplying the service will not transfer to **NAG, Co-Op** or another supplier on termination. This is a major disappointment to **Unite** as it could have helped preserve jobs being lost.

Regrettably it appears there will be limited opportunity for redeployment of the vast majority of impacted staff. **AXA** have however committed to do as much as possible to support staff in seeking internal redeployment & providing outplacement support.

**AXA's** move out of Bancassurance has been a major set back and whilst not all the blame can be laid at the door of the company leadership, in **Unite's** opinion they undoubtedly made poor decisions in pouring money into an area of activity that was never going to support itself in times of economic hardship.

**Unite** also challenged the fact that given the scale of the redundancies why **AXA Wealth's** CEO did not attend the announcement to over four hundred of his employees. The company advised that the Managing Director for the business area wanted to personally deliver this announcement as he has led this part of the organisation for nine years.