

# Consultation response



15 July 2014

## Money Advice Service: Proposal for a Retirement Adviser Directory

### Our overall views

*The Chartered Insurance Institute (which includes our financial advice arm the Personal Finance Society) agrees that the process of referring customers to regulated financial advice needs to be improved, as the current system is not working effectively.*

*However we disagree that the answer lies in building a new adviser directory hosted by the Money Advice Service (MAS). This would duplicate services already offered, would require a considerable investment of resource in an area outside of its existing capability, and yield limited overall benefit.*

*Instead we think better coordination among directory providers is needed, and MAS should work with those organisations to establish a set of common criteria on usability and access parameters so that customers experience a more similar journey.*

*This exercise could be made more effective if MAS considered improving the technology on how these external directories link to its website. Adopting technology that integrates the compatible directories more seamlessly into a customer-controlled search “front end” hosted on the MAS site would make full use of existing resources while creating a far simpler journey for customers.*

The Chartered Insurance Institute (which includes our personal finance arm the Personal Finance Society) supports the principle of generic financial advice of the sort given by the Money Advice Service (MAS). This should be the key source of information for consumers who are not familiar with the financial services sector, and we have consistently taken the view that MAS should lead on financial education in the light of new regulations. Our own research involving two different surveys across three years indicates that over a third of customers who have never received advice would consider it now in the light of the new rules on adviser charging and professionalism.

Unfortunately, this opportunity is being missed because the process by which MAS customers are being referred to financial advisers does not seem to be working. Users are being referred to several adviser database websites which have differing search parameters and entry standards for participation. Behavioural research shows that people are unlikely to take follow-up action unless prompted, so those few who do take up this referral and search the databases are likely to have difficulty finding an adviser that they need. This is because they do not know what they are really looking for, and are unlikely to continue searching when they run into complexity.

We strongly disagree that the solution lies in creating a new single directory that effectively duplicates services that are already offered by other organisations. For example, the Personal Finance Society offers a financial adviser search facility called *FindanAdviser* which performs this function:

- **It reflects the vast majority of the financial advisers in the market:** it is based on membership of the Personal Finance Society which currently numbers about 35,000 members, and according to the latest FCA data on Statements of Professional Standing, constitutes over three-quarters of the retail investment adviser population.

- **It is non-commercial:** unlike other adviser directories, the *FindanAdviser* site does not rely on fees from participating advisers; and
- **Participation requires adherence to professional standards:** *FindanAdviser* requires membership in the Personal Finance Society which calls for adherence to continuing professional development and ethics requirements.

Creating a new directory that would replace existing directories would be a costly and difficult undertaking with limited benefit:

- Most advisers are already affiliated in some way to the existing directory providers. They would have to be recruited into this additional directory run by MAS, or transferred in from existing directories. Even if directory providers agreed to the latter approach, data protection restrictions would make this complicated or impossible.
- In any event, MAS would have to manage the database which would require significant effort in terms of information infrastructure, promotion to get advisers to join, data management, and record keeping. We question whether MAS has the experience or the remit to do this.
- The basis for creating a single directory seems to be so that MAS could set entry criteria for participating advisers. How is MAS prepared to verify compliance with these criteria? What if the adviser referred gives poor advice? What if the customer has a complaint about that adviser and levels part of that complaint to MAS for the referral?

Rather than changing the database, we think the solution lies in a better referral process. Our overall feedback on the customer journey through MAS is as follows:

- While there is an extensive marketing campaign to raise awareness of MAS, our research suggests that consumers do not yet see MAS as a primary information source on investment and pensions issues. Newspapers and magazines, other websites such as *Moneysavingexpert.com*, and friends and family still outrank MAS as preferred consumer resources for this topic;
- With MAS' role stretching across investment, saving, mortgages as well as the huge area of debt management, it is difficult to deal effectively with each of these, given the limited resources available;
- If the customer knows exactly where to look, there is fairly extensive information available on the MAS website. Although the information is heavily textual which is less attractive to many consumers, there is at least some use of infographics and even videos. Assuming the customer is prepared to read all this content, then the information is quite extensive and correct, the step-by-step information is helpful in walking the customer through the issues;
- There is limited information on the MAS website on the advice process, and there is no guidance to help the customers through the process of finding an adviser and using the different websites.

Addressing these issues might go a long way to improving the customer journey. There may also be two courses of action that might be available that would improve the link between the MAS website and the existing adviser databases, and each of them would complement rather than duplicate existing resources.

## **1. Introduce criteria for the existing directories**

This would maintain the different choice of adviser database sites, but create better criteria on the sorts of databases that are referred. Decision-making here could rest with an independent panel of experts and consumer-oriented stakeholders, and they could determine a set of criteria to make sure the directories are in the public interest, such as requiring advisers to adhere to ethical standards, or excluding any website that involves advisers paying a fee to have additional prominence, or paying any fee to be on the site.

## **2. Improve the technology linking MAS to those directories**

Another measure MAS could take to improve the customer journey is making better use of technology in the way its website interacts with the existing external directories. The existing process provides the user with a list of competing

adviser search directories and expects the customer to either choose the one that is most attractive to them (on the basis of negligible information), or even try each one in turn. This invariably results in “dead-end” journeys by customers hoping to search for a financial adviser, and drives the already confused consumer into giving up. Given that the customer is unlikely to have the patience to try each link in turn, the current process turns a healthy competition into a choice process that is bewildering verging on downright frustrating.

In fact this seems a bit outdated and inefficient in an age when sophisticated on-line search facilities have become so commonplace. Better technology might avoid this pitfall altogether, and actually turn the competition of directories into a healthy advantage.

Take for example National Rail Inquiries, something the travelling public in the UK have enjoyed for some time. Rather than forcing customers to search the timetables of the different Train Operating Company (TOC) websites individually, the customer is instead able to access this potentially complex myriad of data using a single National Rail interface “front end” which is “powered” by the different TOC timetable databases in the background. Only when the customer proceeds with an on-line booking and purchase tickets does the specific TOC website become directly involved.

Perhaps a similar model could be applied by MAS, whereby the customer searches for an adviser on its hosted front end interface, and searches are powered by the existing adviser directories. The directories would be modified to meet standards set by MAS, so they would be compatible with the MAS search facility. The customer would be able to undertake their searches, and then automatically get taken to whatever website comes up with the most hits.

The benefits of such a process would be obvious. First, it would result in a far simpler customer journey, seamlessly linking the MAS website with potential leads in the regulated advice sector. Second, it would make use of the healthy competition of existing adviser directories, and in fact they would be incentivised to have a high market share across the sector. Third, it would not involve any data transfer from existing directories to MAS, hence there would be no data protection implications. MAS would simply serve as an efficient facilitator role in connecting the public with the advice sector. Finally, while this technology might be expensive to adopt for this application, its cost would be far short of creating a whole new adviser directory from scratch.

## **Section B: Our Responses to Specific Consultation Questions**

### **Customer Signposting Review**

We broadly concur with the main findings of your Customer Signposting Review, and they are largely consistent with our own observations including consumer research carried out over the last few years. We have found that the majority of consumers who have not received professional financial advice rely heavily on the web-based financial assistance tools, the news media and friends and family for their advice and information about savings and pensions. We agree that this is suboptimal:

- consumers need to better understand the risks of taking impersonalised information from the media or friends and family as appropriate for every individual situation. While in some cases, consumers might be able to recognise these limitations, and have sufficient financial capability to tailor the information to their specific circumstances, most consumers would need professional financial advice to do this.
- the introduction of non-advised models such as for annuities in the wake of the Retail Distribution Review is indicative of this trend. While some of the propositions that are available are very well delivered and offer safety features, and the Financial Services Consumer Panel last December highlighted that many of the products available carry considerable risks, are not clear of the services offered, or need closer inspection more generally.
- the Government’s liberalisation of the at-retirement choices announced in Budget 2014 have already given rise to new and innovative decumulation products that combine annuity and drawdown features. Although some of these new products may prove competitive to many consumers, giving them choices and flexibility they might need, they

may still be complex to some and carry risks that could make them unsuitable in some situations. This emphasises the importance of professional financial advice.

*1. Do you agree there is a need to improve the customer journey towards regulated financial advice?*

Yes. This should be the priority of this exercise, and it goes much wider and deeper than simply improving the interaction with financial adviser directories. In fact, the existing directories such as our own Find an Adviser database are more than adequate in performing their functions. The problem is preparing MAS users to use these resources, and handing them over to the search facilities in a manner that encourages them to search proactively.

As we understand it, consumers need to undertake three broad tasks in relation to working with a financial adviser:

**First, they need to recognise the need for advice:** they need to identify a gap in their abilities and understanding that needs to be filled. This is challenging because most financial services propositions are orientated towards making the customer feel like they are in control of the situation. We think MAS can play a key role in providing independent, reliable and on-the-customer-side information about the risks of self-advice or relying solely on media sources.

**Second, they need to understand where to look for a financial adviser:** while this is the main subject of your consultation paper, the process is more complex than is readily apparent, especially given the types of advisers that are now available. While the transparency regarding the different types of advised services has improved as a result of the RDR reforms, there is still a bewildering array of services, and some explanation by a trusted and independent source can go a long way to giving customers the confidence they need to use the transparency in the manner intended.

**Finally, they need to understand how to get advice:** having found a suitable adviser, the customer needs to get in contact and set up an appointment, then gather the appropriate information on both their personal circumstances and their need for advice, and think about questions to ask.

## **Post-retirement advice**

*2. Do you agree any new directory should also include details of advisers who specialise in the post-retirement advice market?*

No. Indicating adviser specialisms must be more than simply allowing advisers to self-declare what they say they specialise in. The specialisms must be validated, either through specific qualifications that demonstrate expertise in a particular field (such as the CII's Certificate in Equity Release), affiliation in a body or sub-group that oversees standards in that field (such as the CII's Society of Mortgage Professionals), or both. The *FindanAdviser* website from the Personal Finance Society already does this, and specialisms are validated by the CII's own qualification records.

## **New Retirement Adviser Directory**

*3. Do you agree that a new retirement adviser directory might provide a solution for consumers needing regulated retirement advice?*

It would be a potentially expensive duplication of services that *FindanAdviser* and competitor directories already offer, so we do not think what is proposed is an efficient or cost effective solution.

*4. Do you agree that information regarding fees should be included in the directory?*

This depends on the type of service the advisers provide. Under current arrangements, posting a fee on the directory would be difficult because many adviser charging structures result in fees that vary depending on the customer's specific circumstances. Trying to arrive at a general fee that could be published on a website could be so removed from what a customer might be actually charged to be potentially misleading.

On the other hand, if the adviser offers fixed-fee focused advice on specific areas such as at-retirement, then providing a general fee on the directory may become possible, depending on how such a proposition is developed.

5. *If so, do you have any views as to how this might be presented to consumers? For example, should there be a 'menu' or list of services with average or approximate costs given for each service?*

FindadAdviser already provides an extensive set of information to users without overwhelming them. It allows consumers to search advisers via an address or postcode search, and set criteria by specialism including general financial planning, mortgages, retirement planning, investment savings, health or personal insurance. The search results in a list of advisers sorted by either distance or qualification level. Firms with Chartered titles are given prominence. The site also includes six on-line consumer guides on subjects including general financial planning, investment and saving, retirement planning, and mortgages, each written in an accessible style.

6. *As well as contact details, qualifications and expertise, type of service offered and fees charged is there any other information you think the directory should include on the adviser firm or individual advisers?*

FindanAdvisor provides this information, and could include fee charging information depending on the adviser's service proposition (see our response to Q4).

7. *Do you agree that an independent panel should decide upon the entry criteria for the adviser directory?*

Possibly. We disagree that a single adviser directory should be recreated given the existing resources that are available. However we would suggest that MAS should be more selective in the websites to which it refers customers. As described in more detail above, MAS could arrive at a set of criteria governing the types of websites it refers to customers, and this could be a role for an independent panel.

8. *Do you agree that the main consumer and adviser professional bodies should be invited to join the independent panel? If so, can you suggest the particular bodies you feel should be invited to be members of the panel?*

We would suggest just a small grouping of the key financial services consumer organisations, existing directory providers, and perhaps a representative of the FCA.

9. *Do you agree that the Money Advice Service should host the directory?*

As stated above, we think MAS should continue to refer customers to existing directories rather than recreate a new one, and instead focus its resources on better preparing customers for its use, including better managing the handover. Then it could perhaps explore the technology of creating a single interface powered by existing databases.

10. *If not, is there another organisation you feel should host the directory?*

This question is not applicable because we think MAS should host the directory.

11. *Do you agree that data management and verification plus on-going maintenance should be outsourced to a suitable organisation and paid for by the host organisation?*

We disagree that a new, single directory should be created as this would duplicate existing services.

**Policy & Public Affairs**  
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