Consultation response

PFS | CII

8 June 2016

HM Treasury: Public Financial Guidance

The Chartered Insurance Institute (and Personal Finance Society) support the coordinated delivery of public financial guidance. It must be accessible and inclusive, in keeping with a wider national financial capability strategy, and be underpinned by appropriate professional standards. Our views towards the proposed delivery architecture are as follows:

New money guidance body:

- **No public profile:** we agree that this body should have no public profile, and should instead be focused on sitting strategically above all the delivery bodies including the "new Pension Wise" in a coordinating role.
- **Responsibility to oversee signposting:** one consequence of the correct decision to remove public profile is lack of consumer signposting from a single go-to body for consumer inquiries. Therefore an important role of the new body is to ensure signposting and active referral between the guidance delivery organisations, even if this is not in those bodies' apparent interests. It should verify this signposting with periodic mystery shopping.
- **Duty to promote value of advice:** while professional financial advice might only be appropriate to certain consumers, the new money guidance body should be given a statutory duty to champion the promotion by the delivery bodies of the value of financial advice, and conduct robust research around this theme.
- **Aim to address gaps, not overlap:** the body should aim not to overlap current public or private provision but to address gaps. In terms of gaps assessment, priority must be given to existing delivery by other organisations. The new body should not duplicate services that are already available.
- **Communicate value to levy contributors:** the organisation should include in its annual report clear indication of the value of guidance to the levy-contributing financial services sector, including its efforts to maximise value for money.

New pensions guidance body:

- **Use Pension Wise brand:** this should build on the success of Pension Wise, and use that brand.
- **Scope and divide with broader long-term savings clarified:** will the body cover broader long-term savings, investments and later-life issues? Its scope should be clearly defined in the legislation to prevent "mission creep".
- **Signposting:** there must be a responsibility for the body to signpost out-of-scope inquiries to other delivery organisations.
- **Channels:** we believe offering all services across all three channels is neither cost effective nor useful. The on-line and telephone services should be offered in the first instance, with face-to-face used only for more detailed inquiries.
- **Promotion:** considerably more promotional support is needed for it to be the public's "go-to" body for topics within the agreed scope. It is also very important for it to promote what services it can actually do for users.

Our overall views

The Chartered Insurance Institute (including the Personal Finance Society) supports the provision of public financial guidance. We believe that guidance short of regulated advice can be helpful to consumers, provided it is delivered well, and in a timely fashion, and is sufficiently coordinated with other relevant bodies, including sector firms. Although the actual delivery of such services could be undertaken by a range of different organisations, it must be viewed by the public as independent and impartial. The Government and regulators must ensure that the highest possible standards are met and supported by the respective professional bodies.

The Chartered Insurance Institute and Personal Finance Society

As a Chartered body working in the public interest, we have long supported efforts to improve the public's financial capability, and help them to realise the best possible outcomes for all aspects of their finances. We were early supporters of the principles behind the Thoresen review of generic financial advice. We believe that the backbone of these efforts is the provision of guidance under an impartial banner, and successive research projects that we have published suggest that this can provide meaningful help to customers at key stages in their lives, and that it can complement regulated advice and other services delivered by the retail financial sector.

Since the development of the national financial capability strategy in 2005 and the Thoresen review two years later, we have contributed to the practical implementation of various initiatives right up to the delivery of Pension Wise earlier this year.

Section A: Our views on the proposals around public financial guidance

We believe that the Government should continue to play a central role overseeing the delivery of public financial guidance. In the area of pensions and long-term savings for example, the public has told us in repeated studies that they see the value in impartial sources providing them with essential background information on their choices, while not being linked to any sort of sales process. That said, we think there are currently issues with the provision of these services that need to be addressed centrally.

Duplication and consolidation

We support the Government's approach that moves away from trying to have a single consumer-facing financial guidance body in favour of organisations that consumers already use, underpinned by a non-public facing financial guidance coordinating body.

However the need to promote these services to the public is a major issue and should be coordinated centrally; as is the importance of signposting between the delivery bodies, which we will highlight further below.

There has been significant progress in the provision of on-line advice and guidance services to consumers by a range of organisations both public and private. Some of these services are already well known to consumers in their own right, such as MoneySavingExpert. Others also enjoy some brand recognition but may require limited marketing to raise awareness.

In this regard as well, we ourselves have four different services that offer help to consumers:

- The Personal Finance Society (PFS) has an accredited database (**Find an Adviser**) covering 21,500 advisers representing over 80% of all Regulated Investment Advisers in the UK. The data held on the Directory is applied by the Society and therefore could be relied upon by the public www.thepfs.org/yourmoney/find-an-adviser/
- The PFS also has a related consumer information site - **yourmoney** - offering useful help to consumers and links to the Find an Adviser site www.thepfs.org/yourmoney/
- The PFS has also been working since 2009 on the **MoneyPlan initiative with Citizens Advice**. This involves currently 179 PFS members volunteering their time to help deliver household financial planning to customers facilitated by 98 local Citizens Advice Bureaux. See www.thepfs.org/membership/citizens-advice-moneyplan/
- The CII has a new consumer website called **AskCiindy** www.askciindy.com/ as part of our **Made Simple** campaign to help simplify and clarify insurance and its terms for the benefit of the public consumers.

In fact, we believe this proposed new architecture is more akin to what the Thoresen Review initially proposed in 2009. Although the Thoresen Review called for the creation of an independent, neutral and 'on-the-consumer-side' national service, he never envisaged a single organization attempting to deliver all these services.

The Review proposed what it described as a 'hybrid model' where a smaller organisation carried out more of a strategic oversight and coordination role than all the public facing financial capability recommendations. It said "it will be extremely important for a service to both work with and build on existing services". Perhaps one of Thoresen's most important prescriptions was an explicit warning about the dangers of duplicating existing services given by those other bodies, or even adopting a model that delivers the services by itself:

"The Review does not believe it would be sensible to establish a new end-to-end service operating in isolation from existing provision. This would be unlikely to improve service to customers. At best it would simply introduce a further option into an already complex set of choices. At worst, depending on funding arrangements, it could cause existing provision to fade, and in the long term lead to a reduction in both the amount and diversity of help available, with damage to some successful, highly trusted brands. Finally, the infrastructure and staff required to deliver this sort of service would make it an expensive option."[1]

Signposting

Although we support the approach that the single money guidance body should not itself have a public profile, we are concerned that one consequence will be the lack of a body consumers could contact in the first instance which could then **signpost** to appropriate expert services elsewhere.

We know from research that consumers are often unaware of which organisation to contact for the services they need, and there exists anecdotal evidence that consumers contacting for example one body about one inquiry only to learn from the discussion of a whole separate set of issues requiring help from another service. So there is clearly a need for a signposting function, but an obvious pre-requisite for signposting is a public profile. Therefore the solution for the money guidance body that we think best fits the Government's approach about its profile is as follows:

- Creating a requirement to ensure that guidance delivery bodies adequately signpost each other. This exploits the profile that delivery bodies might already have.
- The Money Advice Service and the new guidance body could undertake research to determine which bodies consumers are likely to contact, and then designate those bodies as "possible first-contact bodies" that would have a special responsibility for signposting. These bodies might be the Financial Conduct Authority, Citizens Advice, Pension Wise and some of the consumer-facing websites such as moneysavingexpert.
- To mitigate the risk of some bodies being commercially unwilling to send customers elsewhere, the money guidance body could be given statutory powers to encourage signposting, possibly through a Code of Conduct to instil a "goes around comes around" culture, and to conduct regular research such as mystery shopping to ensure this is being done.

Duty to promote value of advice

The perceived value of professional financial advice by consumers has been highlighted as a key underlying concern in the Financial Advice Market Review. It has been identified as one of the reasons for the relatively low take-up of advice. While professional financial advice might only be appropriate to certain consumers, the new money guidance body should be given a statutory duty to champion the promotion by the delivery bodies of the value of financial advice. We suggest a clause in the founding legislation that sets out the task of:

- offering material to help customers understand the types of services professional financial advice could offer,
- how it could help customers through different issues,
- how to understand the different charging models, and the costs and benefits of receiving the different services compared to the financial or efficiency gains.

The money guidance body could also commission detailed research into this theme and present its findings to the market and the wider public.

Scope of Pension Wise service

We urge the Government to clarify in legislation the exact scope of service Pension Wise would offer. How are "pensions" defined for these purposes? Where is the distinction between "pensions" and other long-term savings? What about retirement savings? What about later life planning? When does the customer fall out of scope to be assisted by this service?

[1] HM Treasury, *Thoresen Review of Generic Financial Advice: Interim Report*, October 2007, pp.18-27.

While the label "Pension Wise" is probably right for the body, we would suggest that the Government should consider widening its scope to "retirement and long-term savings" be a better label for this remit than "pensions"? Would the body respond to accumulation-related questions such as risk exposure, deciding on funds in a DC scheme?

Again, signposting to out-of-scope bodies will be an important consideration further to the points raised above.

The four-pointed STAR: Standards, Training, Accreditation and Revalidation

Drawing from its experience as a professional body serving the pensions and long-term savings market, the CII last year proposed a model underpinning how pensions guidance could be built. We have applied this to the wider issue of the Financial Advice Market Review and have included this as part of our submission to the Call for Input in December 2015. We also think it is relevant to the present public financial guidance consultation, as any services delivered to customers over the telephone or face to face must comply with the same four principles: Standards, Training, Accreditation and Revalidation (STAR):

- **Standards:** setting out what is expected of those firms giving advice or guidance, and what those individuals delivering it would be reasonably expected to know and perform;
- **Training:** to impart and verify the required individual knowledge and competence aspects of the standards;
- **Accreditation:** to confirm that the standards have been attained by organisations in their internal processes, and continue to be maintained; and
- **Revalidation:** to ensure that those individuals delivering these services are up to date with the latest developments, such as changes to investment and pensions policy, taxation and the benefits system.

It is not our intention to suggest how public financial guidance could be delivered, and how the Government should coordinate its delivery. That is not our expertise. Instead we suggest that any services that are made available to the public outside the realm of regulated advice should still comply with STAR.

While there are several sources of impartial guidance that do this offered by both private and public organisations, not enough is being done to coordinate their delivery, and make users aware of the full range of services available and how they could serve their specific needs. However our and other evidence shows that there is a very high approval rating from those who do *use* the Pension Wise service.

Communication of guidance body value to levy contributors

The money guidance body should have a requirement to include in its annual report a detailed value statement aimed at the levy contributing sector. This would include a defensible analysis of the financial and economic benefits to the market including the sector of the body's work over the year. This would would not only keep the guidance body mindful of the levy contributions, but also set out to the sector the importance of public financial guidance to maintain their engagement.

Section B: Our responses to specific questions

Pensions guidance

We concur with the general policy direction to create a single service bringing together TPAS, MAS and Citizens Advice. We have several points to add under the pension guidance model.

From an overall perspective, we see the money guidance body to be central to the provision of public financial guidance in the UK, and the proposed Pension Wise to be one of the several guidance delivery bodies that would actually be providing guidance to the public, albeit with a special status in that it will be an arms-length body of DWP and have special partnership agreement with the money guidance service.

Q1. Are there any specific guidance gaps in the current pensions guidance offering that you think the new body should fill?

The current pensions guidance offering is focused on defined contribution schemes. Increasingly, individuals will be seeking guidance on a number of different pension pots, including defined benefit arrangements and ultimately in April

2017 existing annuity contracts following the creation of the Secondary Annuity Market. As such, pensions guidance should incorporate all of these markets to enable a balanced picture to be delivered to consumers.

We remain concerned at the consumer risks inherent in the Secondary Annuity Market, especially in respect of older, potentially vulnerable consumers who are already a target for unscrupulous individuals and organised scams.

The nature and content of guidance sessions should focus on long term financial planning as well as immediate choices from age 55, where without suitable guidance consumers are likely to exhibit short term bias such as focusing on the immediate benefits of accessing their funds. Either way, it is imperative consumers understand the various risks inherent in the choices they have which will remain a challenge within a single 45 minute guidance session.

Any guidance on retirement options also needs to be cognisant of typical patterns of consumption and the possibility of major unexpected financial demands. In these respects, a greater focus in respect of the provision and funding of social care would seem appropriate given the fact that at least 25% of self funders run out of money,[2] something that the postponement of the introduction of the 'care cap' will do nothing to alleviate over the next few years.

Q2. Are there any pension-related topics that shouldn't be included in the remit of the new pensions body?

We question whether the existing promise of a front-end service across all-three channels (telephone, web and face-to-face) is really appropriate and cost-effective. Our own research combined with Pension Wise data suggests that most people use the telephone and web-based services, with only the face-to-face channel used in some cases. Perhaps a triage model of the sort adopted by New Zealand's *Sorted* service could be considered here: whereby the on-line and telephone sources are used in the first instance, after which it could be determined whether a more detailed face-to-face discussion is necessary. The efficiency gains derived here would be balanced by the provision of more effective services to end customers.

Scope of services: further to our point in the previous section, we urge the government to be clear about the body's scope, irrespective of what its title suggests. Would "retirement and long-term savings" be a better label for this remit than "pensions"? Would the body respond to accumulation-related questions such as risk exposure, deciding on funds in a DC scheme? The scope must be settled in consultation with the sector, and clearly defined in legislation. The legislation should also set out the process by which any changes to scope could be allowed, pending a demonstration of consensus among Any changes to the scope must aprocess by which this scope could be amended

We think that the current management of TPAS is ideally placed to lead the running of this new Pension Wise body.

- It has the technical expertise in pensions, retirement and long-term savings, which has been aptly demonstrated in its component of the Pension Wise delivery. This expertise would serve customers well when dealing with issues across the blurred lines of pension savings, pension decumulation, and longer-term retirement and later-life issues.
- It has the management capability to expand its remit beyond the telephone channel: it has developed an impressive website and it would be able to create a triage system for handling face-to-face clients using partner organizations which could include Citizens Advice.
- It has developed a staffing model that can handle the possible upscaling of demand.

There are some real problems with the appointment booking model for Pension Wise that is undermining the potential help this service could be giving to customers right now. This must be addressed with the utmost urgency. Appointment booking system must not filter out customers who could be helped in other ways. For example whereas Pension Wise may be aimed at a certain client base (eg customers with DC pots), even if it emerges that customers calling outside those parameters were still able to get some help by TPAS.

A new money guidance body

We generally concur with the approach taken in the consultation with respect to the new lower-profile organisation to pull together the financial capability strategy and coordinate the provision of public financial guidance and debt advice. We concur that this should have a low to non-existent public profile, and should instead be focused on sitting strategically

[2] Local Government Unit 2013

above the delivery bodies to a range of bodies including Citizens Advice that takes advantage of its national reach and resources, and private bodies such as Money Saving Expert that enjoy a high public profile and expertise.

Q3. Will these objectives focus the activities of the new money guidance body sufficiently to allow it to improve consumer outcomes?

We agree that the overall object of this architecture is for the new body to address gaps, not overlap. Delivering the national financial capability strategy should equate into the following roles for the body:

- Developing the strategy in its various respects, working closely with the relevant stakeholders (taking forward the excellent work that MAS has already started in this area), and coordinating work to implement these into operational plans;
- Coordinating and communicating a long-term financial capability plan in association with HM Treasury, other government departments and regulators, and helping to develop this with various stakeholders.
- Coordinating and in some cases undertaking research to assess the extent to which the issues identified in the financial capability.
- Communicating the various work with the financial services sector which will as levy-payers require an understanding of the value the new body provides.

In terms of assessing gaps in frontline service delivery, priority must be given to using organisations that specialise and have the profile in an allied area. The new body should not attempt duplicate services already available, unless a specific case can be made and this is agreed by the government and other stakeholders.

Possibly another coordinating objective of this body could be to ensure a sufficient degree of public signposting between the front-line services. While the new money guidance body should not have a public profile, therefore would not have a function to directly signpost customers to relevant services, it should play a role in facilitating the customer journey between various the services that are offered by other organisations. For example a discussion with a caller to Pension Wise about retirement choices might discover that the issue is really about debt advice and needs to call an appropriate service. The new pensions body must ensure that appropriate signposting provisions are in place, and the delivery body signposts to the appropriate organisations.

Q4. What role do you think the new money guidance body should have inproviding research?

We think its role should be restricted to that of a co-ordinating and commissioning body as it is important it is seen to be impartial.

Q5. Would limiting providers of debt advice to FCA authorised firms rule out anytypes of provider?

We think it important that standards apply to debt advice and that the FCA authorisation process will deliver an appropriate level of consumer protection.

Q6. How could the new money guidance body work with the debt advice providersmost effectively to ensure that their expertise is captured and informs contract design?

Given the FCA's new regulatory regime for debt advice there is a risk of 'double' regulation. Furthermore, given the disparate nature of debt solutions available to consumers across the UK, it would seem imperative that all are subject to one regulatory regime and one set of standards. We suggest the FCA should work closely with debt advice providers to capture best practice.

Thereafter, we suggest clarity in respect of the measurement of such standards be built into contracts issued by the new money guidance body so that consistent metrics can be used to monitor the success of all contractors.

[Questions 7 and 8 concern the details of the debt advice provision and are not relevant to the CII or PFS]

Q9. How should the new money guidance body seek to understand the gaps in the provision of money guidance?

The money guidance body could be given a small research budget to assess gaps in the market, possibly in cooperation with the FCA. However this must not duplicate research conducted elsewhere.

We support and actively participate in the Money Advice Service's current work on the new national financial capability strategy. This work must be continued by the new organization, and we are interested in continuing our participation.

We agree that the new money guidance body should have a more focused remit that was the case with MAS. The new money guidance body should seek to understand gaps in the provision of money guidance via both initial broad based consultations across industry underpinned by an ongoing focus on key life stages (e.g. getting married, buying a house, having children etc). It should prioritise areas of greatest consumer need in terms of detriment.

Q10. Is the planned focus on commissioning digital tools and funding local projects the right focus for the new money guidance body?

Yes: the body needs to take into account new approaches the public use to access information, as well as developing understanding on unique areas such as gender differences in accessing financial services.

Given the decision for the new body to not be overtly consumer facing, this focus seems reasonable and aligned to the proposed objectives in paragraph 2.30.

Linking the two public financial guidance bodies

The key tenet for the two bodies is that they should aim not to overlap but to address gaps. In terms of gaps assessment, priority must be given to existing delivery. The new body must not duplicate services already available unless a clear case can be made and a strong consensus among stakeholders especially the levy-paying sector can be demonstrated.

Q11. What should be included in the partnership agreement between the two bodies, and how could hand-offs best be specified?

The relationship between the two bodies is critical given our points about the scope of "pensions" and "long-term savings".

Q12. Do you have any other comments on the proposed model?

No.

[Q13: This is not for us to answer]

Transition to the new delivery model

The new guidance body will be set up in legislation with clear and specific statutory objectives. It would need to amend Schedule 1A of the *Financial Services & Markets Act 2000* (placed by the *Financial Services Act 2010*).

We expect that the Government will need to develop primary legislation to set up the new statutory framework, either by way of amending the existing Act or by creating a new set of powers. Regardless of the statutory change, the Government should build on MAS' knowledge base in forming this new body.

The new bodies would require legislative changes which the Government believes will take 6–12 months, and allowing for a reasonable transition period, the new bodies would be live by April 2018.

Q14: This is not for us to answer.

Q15. Which content on the MAS website is most useful for consumers?

Whilst we have no direct experience of the value consumers place on the content within the MAS website it would not be a great leap of faith to suggest it may well be aligned to key topics discussed. The 2014/2015 MAS Annual Report identifies the following key areas.

Face-to-face	Telephone	Webchat
Benefits (37%)	Debt and borrowing (34%)	Debt and borrowing (28%)
Budgeting and money management (29%)	Work, pensions and retirement (16%)	Work, pensions and retirement (18%)
Debt and borrowing (16%)	Homes and mortgages (15%)	Homes and mortgages (13%)

Q16. Which content on the MAS website is it necessary to maintain because it is not provided elsewhere?

There is an enormous amount of information on the website that is useful, and some of it such as the videos were expensive to create, so it would not be sensible to just remove it from the public. We would suggest donating or handing the content to certain other bodies to rebrand or modify as they see fit.

We are not in a position to provide a comprehensive response to this question, but suggest content on 'care and disability' doesn't seem easily available elsewhere or in a format that is simple and easily accessible. This seems especially relevant to the vulnerable and ageing population.

The Chartered Insurance Institute and the Personal Finance Society
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