Personal Finance Society
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PFS

Consultation Response

13 February 2017

HMT-DWP Public Financial Guidance Review

As a Chartered body working in the public interest, the Personal Finance Society has long supported efforts to improve the public's financial capability:

- **We concur with the Single Financial Guidance Body (SFGB) proposals:** we had earlier highlighted our concerns about the complexity of coordinating between two bodies. However
- **We urge an almost equally important priority to re-establish the confidence and support of the profession:** we are disappointed that public guidance and MAS has been the source of such disagreement with the sector since 2011;
- **The Government should stop the wanton use of the "advice" label** to describe services that do not involve professional financial advice. This is one of six recommendations we make towards improving this collaboration.
- **Partnership and collaboration with the sector—not just consultation—must be integral** to this new financial capability architecture, and this must be reflected in the single body's core objectives.
- **Offer every adult a voucher for a Financial Health Check session with a qualified financial adviser:** such an initiative led by the SFGB/Government in partnership with the financial planning profession would be a practical measure to improving the public's finances. We would be delighted to assist with its implementation.

About the Personal Finance Society

The Personal Finance Society is the UK's largest professional body for the personal finance sector, with 36,951 members including 5,303 Chartered Financial Planners[1]. While this membership mainly constitutes individual practitioners, including a significant share of the UK retail investment adviser population, the Society also encompasses another 678 financial planning firms that have Corporate Chartered status. The Personal Finance Society is part of the Chartered Insurance Institute which is the world's leading professional body for insurance with over 126,000 members in 150 countries. Our Royal Charter remit is to secure and justify the confidence of the public in the profession. We do this by promoting the highest standards of professionalism for technical knowledge, client service, culture and ethical practice across the entire membership for the ultimate benefit of the public.

We support our members with achieving this goal through a wide programme of activities, including advocacy, good practice guidance, Continuing Professional Development (CPD) events, publications and related tools. Our work includes the provision of examinations, actively promoting ongoing learning such as structured CPD and as such were one of the first issuers of Statements of Professional Standing under the FCA adviser professionalism regime.

As a professional body, the Personal Finance Society recognises its evolving role to influence the cultural as well as technical and ethical behaviours of our members.

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[1] All membership numbers as of 31 October 2016.

Our overall views

As a Chartered body working in the public interest, the Personal Finance Society and Chartered Insurance Institute 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.

Public financial guidance can work

We were early supporters of the principles behind public financial guidance. Over the years the Personal Finance Society and/or the Chartered Insurance Institute:

- was supportive of the main thrust of the Thoresen Review recommendations;
- assisted the FSA and government at the time in scoping out its ideas for a guidance service; and
- published several waves of supportive research and commentary on the eve of the foundation of the Money Advice Service (MAS) in April 2011;
- worked with Citizens Advice in the delivery of the *MoneyPlan* initiative involving practical pro bono financial guidance involving our members;
- launched a consumer site *Your Money* in collaboration with MAS, built around our database of financial adviser members (which reflects about 80% of the retail investment adviser population); and
- worked closely with the Pensions Advisory Service (TPAS) over many years, especially in relation to the Government's pension reforms.

We support the Government's approach towards creating a Single Financial Guidance Body (SFGB). In our response to the previous consultation, we had highlighted concerns about the complexity of coordinating between two bodies.

Disappointed over disagreement, conflict and debate

However it has to be said that we are disappointed that delivering these services has not been as effective as we had hoped, and there has often been disagreement, debate and sometimes conflict with financial services stakeholders since 2011.

There are still many well-meaning and highly competent personal finance professionals who are justifiably sceptical of the value of the proposed organisation. Despite changes in MAS structure and processes in recent years, many in the sector still have difficulty recognising how public financial guidance could help improve mass-market access to professional advice. With the best intentions, these practitioners have viewed the new public financial guidance review with some trepidation, fear more regulatory costs, limited collaboration, and communications messaging to the public that they feel (rightly or wrongly) undermines them.

More needs to be done to work in evident collaboration with the industry and the advice profession.

Six recommendations to rebuild the respect of key stakeholders

Therefore aside from the main priority of establishing public trust and confidence; we urge an almost equally important priority to re-establish the confidence and respect of the profession. We believe this could be achieved through six core recommendations:

1. Do not use the term "advice" in any branding or marketing, unless it refers to regulated financial advice

Consistency of language is critical in this debate. Much of these misperceptions of competition and confusion has been rooted in the use of the term "advice" to describe guidance.

We implore that the Government, the SFGB and its partners must refrain from using the term "advice" in a retail financial services context unless it refers to regulated financial advice.

We acknowledge that some consumers might *theoretically* see the term advice in a broader sense than the financial regulatory definition. However, aside from the fact that many stakeholders disagree with this theory; the fact is that in *practice* the broader use of the term actually creates confusion and misapprehension. This is especially so given the range of stakeholders involved, and the different types of consumers being reached.

At a time when collaboration—especially joined-up messaging—across the various stakeholders is so essential, the *last thing* this work has needed was a superficial semantics debate. Over the years, it has distracted attention from the deeper public interest issues at hand, and has done nothing but divide the stakeholder landscape in front of consumers.

Rather than create more confusion and misapprehension, the Government should adopt a more joined-up approach to language and labelling of these services and stop using the term advice unless it means regulated financial advice. This applies to all government communications including organisation branding. Now that MAS and TPAS are being subsumed into the SFGB after doing some excellent work and we have publicly supported them. However we have always had issues with their titles.

Prior to the launch of Pension Wise, we wrote to HM Treasury, MAS and TPAS prior to the launch of Pension Wise asking for the advice label to be dropped in favour of a more consistent use of language. We would be very disappointed if the SFGB were to be branded or described as advice, except in the context of the proposed Financial Health Check below.

2. Position guidance as a signpost, not a substitute, to the retail financial services market

However well intended, much of the Government communications on public financial guidance in recent years has emphasised its "impartial" and "on the consumer side" nature. Such messaging infers that guidance is safe and trustworthy, and the financial services sector is not. This has two unintended consequences:

- **It portrays the sector negatively, just at a time when consumers need to be more engaged:** firms are just as "on the consumer side" as any guidance service, not least because they have a regulatory requirement to act in the consumer's best interests. Arguably, consumers are just as familiar with their pension provider with whom they have been saving for many years; and more importantly
- **It instils false expectations that guidance can deliver services which it cannot:** the adviser regulations around suitability and personal recommendations bar guidance from suggestion products or providers; so inferring that this can happen is misleading to consumers.

This type of messaging needs to change. Instead, there should be accurate and balanced signals that financial services firms can help consumers reach their financial goals; and that public guidance can help consumers get better outcomes from the financial sector.

3. Emphasise that more financially capable consumers tend to be more confident and engaged

The message to the sector must be that while public guidance cannot replace advisers or broader financial services industry, it could nevertheless help customers be more confident about engaging them. Although efforts to improve financial capability could not narrow the buy-seller information/understanding gap, coordinated work to help consumers better understand the issues could help them feel more confident to engage.

4. Facilitate follow-up actions with the sector

As described above, public guidance cannot transact financial products or services, so immediately faces a gap between giving guidance and the customer taking action in response to it. So while providing information and building customer confidence are important outcomes, the real effectiveness of financial guidance is the follow-up action, usually involving transacting with the financial services industry.

Although guidance cannot transact; it can nevertheless put processes in place to close this gap by helping the customer embark on the optimum journey, by referring customers to the Personal Finance Society Your Money website which offers the largest directory of financial advisers, and then providing the customer with information to prepare for the dialogue such as a list of documents needed and questions to ask the adviser.

5. Introduce a SFGB strategic objective to partner and collaborate with the financial services sector

All this suggests that partnership and collaboration with the sector—not just consultation—must be integral to this new financial capability architecture, and this must be reflected in the organisation's core objectives.

This collaboration and partnership exclusively with the financial services sector must be given its own unique core objective for the SFGB. The consultation already suggests the presence of an objective about working with stakeholders: "[The SFGB] should work with financial services sector, pensions industry, charities, government departments to help people get the right information and guidance that they need either directly from the SFGB or from other high quality sources." [p.10, para.2.4].

However we think this objective is insufficient. The Government should convey to the financial services sector, especially the personal finance profession, that it wants to move on from previous issues and disagreement, that it is prepared to single out the importance of partnering and collaborating with the sector to jointly improve public confidence and engagement.

Such an objective would require the SFGB to:

- work with the sector in delivering financial guidance and handing off to relevant firms for regulated activity;
- coordinate with the sector in surmounting challenges around consumer communication and maximising consumer engagement;
- coordinate and co-brand with the sector on dealing with consumer issues and detriment such as financial scams;
- continue its efforts to develop and deliver a national financial capability strategy in partnership with the widest and most representative group of stakeholders; and
- provide regular reports to the public planning and documenting these activities.

We acknowledge the importance of mentioning the other stakeholders involved in the delivery of public financial guidance, especially the government and third sector; so we suggest a separate objective calling for the SFGB to "work with the stakeholders including charities, government and other organisations to help people get the right information and guidance that they need either directly from the SFGB or from other high quality sources."

Recommendation 6: Offer a voucher for a Financial Health Check session with a qualified financial adviser

We believe that the best approach to demonstrating this renewed collaboration, and for providing something practical that the public really need, would be to offer to all working adults in the UK a voucher for a *financial health check* session with a qualified financial adviser. It would build on several processes already under way with the Personal Finance Society. In taking this forward, the SFGB and the Government could partner with the financial planning profession, and the Personal Finance Society would be delighted to assist.

Previous attempts at offering such help:

The idea of a financial health check or "financial MOT" is by no means new, and the Personal Finance Society has participated in numerous stakeholder forums for years to discuss its feasibility. There have also been a few attempts to deliver something similar in the past, and three come immediately to mind:

a) MAS on-Line Financial Health Check: an on-line system was launched in June 2011 shortly after MAS' founding in April that year.[2] It asked consumers a set of questions and then channelled them accordingly. While it was an elaborate and well-researched tool, it floundered for three reasons:

- it relied on an extensive and expensive marketing campaign to engage users;
- it was no different from similar on-line tools offered by other providers; and most importantly,
- it tried to to apply a decision-tree structure to a process that only a qualified financial adviser can facilitate. Some fundamental channelling questions such as attitudes toward risk required the user to exercise considerable subjective judgment which can only really derive from a conversation with a professional. While it provides a useful support tool, what is needed is a human interaction of talking to a financial adviser.

b) Unregulated public financial guidance: there have been two attempts in recent years to offer the entire public unregulated financial guidance across all three channels: the formation of the Money Advice Service in 2011; and the Pension Wise service following the Government's pension freedoms in 2014 coming into force in 2015. While we believe these services have been useful in answering specific questions, their success in delivering holistic help is constrained:

- **Complexity:** these issues are so complex that the only types of practitioners who could give *meaningful* help to the public are highly trained and experienced experts: it is difficult to train staff delivering the service by telephone or face-to-face unless they happen to be former experts such as financial advisers themselves.
- **Barrier to next steps:** guidance cannot lead the customer to a product or service purchase decision; and consumers are notorious for approaching service gaps by doing nothing.

c) FAMR retirement advice rebate: provides consumers the opportunity to spend £1,500 of their pension savings tax free towards a financial advice session. This measure could be useful in that it helps customers receive much needed detailed advice on many complex at-retirement issues taking into account longer term later-life considerations. However whereas the retirement advice rebate is meant for consumers later in their working lives to consider their retirement options; there is nothing targeted at people earlier in their working lives to consider current and near-future issues.

[2] Money Advice Services launches new Health Check, press release, 14 June 2011.

Proposal: offer "the genuine article", no substitutes:

Instead of an on-line, public financial guidance, or retirement-only advice proposal, we suggest introducing a scheme involving a session with a qualified financial adviser to all consumers. The service could have the following requirements. The session would be:

- **offered to customers early enough in their working lives** to consider the range of options facing them including pension savings choices, income protection needs, housing finance, other debt exposure, life assurance, and general insurance;
- **free at point of use or heavily discounted:** a small user charge might ensure the scheme is used by customers in the manner intended. The cost of the session could be met jointly between the Government and the financial sector;
- **could be available by telephone or face-to-face:** it might have an emphasis on the former to reduce costs and maximise impact;
- **could lead to suggestions of paid-for financial advice:** of either holistic or of a specific nature. There is a risk that advisers might over-prescribe, but this would need to be taken on trust;
- **delivered by a financial adviser:** qualified to give holistic financial advice and is a member of a professional body; and
- **would culminate in document setting out suggested next steps:** for the customer's review which could include receiving further financial advice. The format of this document could be standardised and agreed with the personal finance profession.

The Personal Finance Society had suggested this type of offering in stakeholder roundtables around the time of the Government's pension freedoms announcement in March 2014. We it proposed a "National Retirement Guidance and Advice Service", built around just such a voucher scheme described here, delivered by a network of advisers facilitated by the Government.

This initiative now as before would build on PFS existing practices:

- many Personal Finance Society members already offer free introductory consultation sessions; moreover
- 170 members are now offering free money guidance under the joint Personal Finance Society/Citizens Advice initiative known as *MoneyPlan*[3]; finally
- the existing *Your Money* directory already covers 80% of the advice profession, and we could create a subset of this consisting of advisers interested in participating in this initiative.

The Government could then work with the SFGB to help extend this wider, and the SFGB would play a core role in branding, facilitating and delivering this initiative:

- The Government could work with the Financial Conduct Authority and sector in helping to cover the cost of the voucher which would help bring existing pro bono work to a national scale. In our earlier submissions for the National Retirement Guidance & Advice Service, we had suggested a single 40-minute session costing in the order of £200.
- It could work in partnership with the "trigger data"-holding government departments and agencies that regularly deal with the public and hold comprehensive data on individual personal finances, such as the Department for Work & Pensions and HM Revenue & Customs. Those departments could issue the voucher directly to the customer based on their National Insurance Number, along with instructions to contact the SFGB to redeem it. The voucher

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[3] See Personal Finance Society press release, Personal Finance Society set to expand Money Plan initiative, 12 July 2016.

could accompany official correspondence such as a state pensions summary statement, or the response to a Statutory Maternity Pay application.

- Upon contacting the SFGB, the customer would have an initial dialogue, and be told how to use the Personal Finance Society directory to find a participating adviser in their area. Then the SFGB could provide the customer with prior information to prepare them for the session, such as what material the customer should bring to the appointment, some background on what to expect from an adviser, and perhaps some possible questions to ask.
- A system might be created so that advisers could deduct a proportion of the cost of each session from their next FCA Levy Due, based on a rate per redeemed voucher submitted. This would effectively incentivise advisers to participate in this scheme.

Such a scheme could provide the SFGB with the sort of high profile, practical and collaborative opening initiative that it needs to break out of the old image:

- **It's radical and high profile:** this initiative would not have been attempted before, so it is not an attempt to recycle a previous government policy.
- **It's the genuine article:** what is offered here is a session with a real adviser that would be seen by the public as having clear value, rather than obscure information by a new or previously unknown quasi-government agency. For many consumers, it might be the first taste of financial advice that they would not have otherwise considered, and finally open up the sector to the mass market;
- **It builds on existing processes:** the Personal Finance Society already has a directory of financial advisers, and already has a number of members willing to give free or pro bono introductory guidance. This merely builds on these, and makes them more widespread using a government-facilitated voucher scheme.
- **It's compatible with financial guidance offered by SFGB:** the single body and its partner organisations could continue to offer practical help by telephone, face to face and on-line, answer specific questions, and deal with specific inquiries. But if the customer needs more help, and the Health Check voucher has not yet been offered or redeemed, then a referral could be made.
- **It demonstrates real partnership:** the initiative would involve working closely with the personal finance profession to make this voucher system work. It would also require close cooperation with the "trigger data"-holding government agencies to create more timely and relevant messaging to individual consumers.

A single body rather than two

We support the Government's approach towards creating a Single Financial Guidance Body (SFGB). In our response to the previous consultation, we had highlighted concerns about the complexity of coordinating between two bodies.

Having any function split between two or more organisations creates coordination problems not to mention issues about cost effectiveness. Managing these becomes even more complex if the dividing lines between those functions are even remotely blurred. As we highlighted in our response last year, the scope of "pensions guidance" would have to include broader savings and accumulation considerations such as investments and long-term savings, retirement considerations such as later life, equity release and property wealth, and long-term care.

Some of these complexities may have been managed effectively under the current arrangements, but this review in creating the SFGB presents an opportunity to re-think the delivery of public financial guidance in a manner that maximises services.

Strategic role

As with the earlier consultation, we support the approach that where possible, the SFGB must work with the various organisations in both the insurance profession, the wider financial services including banking market, and the third sector that are delivering practical guidance in an effort to avoid any form of duplication. The body should also lead the development and execution of the national financial capability strategy, aiming to ensure the measures set out by the stakeholders in the strategy are put into action the improve the situation for the public.

We think the Money Advice Service has recently shown effectiveness in starting to deliver this strategic ability, and the new body should take over this good work and make sure this is driven forward in a manner that best delivers the remit and makes full use of the commitment of the partner organisations especially the financial sector.

Transitioning from the existing architecture

This transition to the SFGB from the existing arrangements must be done carefully. It must aim to consolidate existing services, not duplicate anything, while also not losing anything in the transfer. Two large existing services come immediately to mind: the TPAS call centre; and the MAS website.

Merging the TPAS call centre:

TPAS enjoys a justifiably strong reputation as a well managed organisation, especially following its own successful delivery of the Government's pension freedoms reforms. The organisation is regarded by many including ourselves as a key part of Pension Wise delivery and it would be a public disservice to lose that capability in the merger into the SFGB.

The TPAS pensions/retirement call centre should be retained in full and the Government should explore possibly enhancing the scope of this call centre to include investments and other related areas such as protection insurance and later life/long-term care.

In view of the quality of TPAS management over recent years, and to retain this expertise and corporate memory for the new body, the Government should consider bringing the existing TPAS management into the SFGB senior leadership.

Existing MAS website

The existing MAS website which was built as a front-line consumer resource contains a vast collection of material that has been built over some time and at great cost on the MAS budget over the years. This material would become redundant if the new body was given limited to no consumer profile, and it would be a shame to waste it. Two approaches might be feasible

- sell the material to partner third-sector organisations to use as part of their proposition to help deliver public financial guidance; alternatively
- have the new organisation retain some public profile, and therefore still have this web presence. However retaining public profile would then have to be promoted, whereas other organisations already enjoy a high profile.

Branding

Further to our first recommendation above, we ask that the Government and SFGB adhere to a strict convention about the use of the term "advice" in all its communications. The convention should be that in a financial context, the term "advice" should only refer to regulated financial advisers. This includes the branding of the SFGB itself.

Responses to specific questions

Q1: Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?

Yes, we believe there are concerns facing particular groups in society that need to be addressed through special measures as part of the financial capability agenda. The CII has last year embarked on a programme involving identifying unique risks faced by a number of groups.

Women

We have recently undertaken and published research demonstrating that women face gaps in their financial provision owing to unique risks.[4] Our interim report is part of a market initiative led by the Chartered Insurance Institute called Insuring Women's Futures (IWF).[5] Our hope is that by sharing this view of risk throughout women's lives we will be able to spur the development of risk solutions to better meet their needs. And while many of the solutions might rest with the insurance sector to explore product and service solutions, there is also a role that government and regulators could play:

- Policies already embedded are at least partly aimed at addressing these gaps, such as auto-enrolment. Research we have recently undertaken with the Pensions Policy Institute shows that auto-enrolment is (albeit slowly) closing the gender pension savings gap.
- Other policies are being explored, such as the parallel work by the Treasury, FCA and DWP to review the regulated financial advice sector and public financial guidance offering, in part to make it more accessible, including to women.
- Other initiatives have been progressed with the help of the Government, such as the excellent Women in Finance Charter this year, which has been supported by 93 financial services organisations (including the CII) as of November 2016.

The findings of our interim report can be summarised as follows. There is still a significant pay gap with women earning far less than men. This has profound effects on women’s life choices, independence, resilience to shocks, and preparedness for later life:

- Women are now outperforming men in education, being 9 percentage points more likely to go to university and those that do are 4 percentage points more likely to get a good degree. Women and men aged 22–29 now earn the same. However, a significant gender pay gap opens up later on; women working full-time in their 40s earn 12% less than men. This is related to a motherhood pay penalty, whereby women who have children before the age of 33 earn significantly less than both men and women without children.
- On average women in full-time work earn over 9% less than men, down from 17% in 1997.
- Women are more likely to be low paid than men – they are nearly twice as likely to be earning below the statutory minimum wage (1.7% compared with 1.0%), and far more likely to be earning below the voluntary Living Wage.

Women are more likely than men to be in insecure and temporary work and are more likely to feel financially insecure:

- Women are more likely to be on zero-hours contracts (3.4% compared with 2.4%) and temporary contracts (6.6% compared with 5.8%), and they are more than three times as likely to be working part-time than men (42% compared with 13%).

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[4] The Chartered Insurance Institute, Risk, exposure and resilience to risk in Britain today: women’s risks in life – an interim report, Dec 2016.

[5] For more information see www.insuringwomensfutures.co.uk

- Women, and particularly those with children, are more likely to feel financially insecure. 1 in 2 women with three or more children say that their money would not last a month if they lost their primary income, compared with just 1 in 4 women without children.

Women are more likely than men to provide unpaid care which limits their ability to work, thereby contributing to lower incomes and savings and consequently lack of resilience to financial shock

- Nearly a third of women in their late 50s are caring for an adult.
- 1 in 10 women belongs to the 'sandwich generation' and are providing care for both an adult and for dependent children. Those in their early 40s are most likely to be doing so, with 1 in 7 women of this age caring for children and older relatives.

Women are much more likely to suffer domestic abuse than men, including violence and financial coercion:

- Women are twice as likely to suffer from domestic abuse as men, with 1 in 12 suffering each year.
- Around 85,000 women are subjected to rape each year, and 1 in 5 women has experienced sexual violence.
- Domestic abuse and financial coercion can affect all women, but rates are highest for separated and divorced women as well as lone mothers, with around 1 in 5 within these groups experiencing domestic abuse each year.
- Financial coercion can limit the independence of women, preventing them from escaping from abusive relationships.

Women face distinct health risks and are more likely to suffer from mental health problems:

- Women face distinct health risks, particularly around childbirth and menopause.
- Women are less likely to meet the recommended levels of exercise, and 1 in 4 is obese, but they are less likely to smoke and to drink alcohol than men.
- The menopause, which tends to affect women between the ages of 45 and 55, is associated with an increased risk of health problems including osteoporosis and heart disease.
- Women are more likely to take time off sick from work, taking on average seven days off per year compared with four for men, but they are less likely to be on long-term sickness related benefits.
- Women, particularly those who are divorced or separated, report higher rates of mental health problems compared with men. 65% of divorced women have experienced a mental health condition, compared to 49% of divorced men and 51% of women as a whole.
- Mental health conditions can be a significant barrier to work, particularly for older women. 1 in 10 women suffers from post-natal depression in the year after giving birth.

Women will experience longer life expectancy, longer periods of illhealth in later life, and a greater need for care, resulting in higher and more unpredictable costs of care than men. However, many women are not preparing for the costs of care:

- A girl born in 2014 can expect to live to 83.2, nearly four years longer than a boy born on the same day.
- Women can expect to face 19 years of ill-health typically – from age 64 until age 83 – three years more than a man. On average women will need help to carry out basic tasks for nearly 3 years, compared with 1.5 years for a man.
- At age 65, women can expect to pay £70,000 on care throughout old age, compared with just £37,000 for a man. A woman entering a care home between the age of 65 and 74 can expect to stay for four years, at an average cost of £132,000. Costs in some areas are far higher, with an average of £186,000 in the South East. These figures are the average, and some may face longer stays and far higher costs.

- Over half of women in their 30s have not thought about how they will pay for care costs.

Women are marginally more risk averse than men – but evidence is mixed and the impact of other factors such as education and income level seem to be more significant:

- Women are slightly more risk averse and slightly more 'present-biased', but this is largely explained by income and motherhood.
- Women are more likely to report that they lack knowledge relating to financial decisions and to want information and advice.

Women, as a result of lower incomes and greater insecurity at work, are less likely to be saving for a pension than men and there is a very large gap by retirement:

- During the years in which women have young children, they have fewer savings than men, reducing their resilience to economic shocks. Men in their late 30s have 60% more in savings than women the same age.
- Men are more likely to have a private or occupational pension, and they save much more. Women are more likely to have a Defined Benefit (DB) scheme than men, due to greater likelihood of working in public sector, but access to DB schemes is falling. The average man retires with a pension pot five times higher than the pot an average woman retires with.

Women's lower savings and pensions wealth mean they are more likely to be dependent on others and to be less financially resilient when relationships break down:

- 80% of women under 30 agree they are not saving enough for their retirement, compared with 75% of men.
- Most women in the bottom 40% of households by household income have no pension wealth at all.
- Women are more likely to say they will be reliant on the state pension as their main source of income in retirement (36% compared with 30%) – women who are divorced, separated or widowed are particularly likely to be reliant on the state pension.
- The average divorced woman has less than a third of the pension wealth of the average divorced man – £9,000 compared with £30,000.
- Most separated woman have no pension wealth at all.

People with disabilities and long-term medical conditions

There is a clear under-provision of insurance among certain groups in society such as the disabled and those with cancer or unique medical conditions. There are frequent cases of lack of consistency in pricing across the market felt by mainly people with disabilities, long-term medical conditions, and this has been well evidenced by a few charities and has been highlighted by the FCA itself:

- **Scope Extra Cost Commission:** insurance as a major source of additional costs felt by consumers with disabilities, when in fact the risks these consumers pose is arguably less or at least comparable to the mass market
- **Macmillan:** people living with cancer (patients and their families) are being hit by prohibitive quotes for lines like travel insurance etc. This is becoming increasingly common given cancer survivability rates.
- **Financial Inclusion Commission:** 50% of all households in lower half of income distribution don't have home & contents insurance.

Barriers to access are many but could be summarised as the mass market retail model whose pricing/distribution system struggles when consumers approach it with anything other than the "normal" risk characteristics, suggesting the sector needs to be more innovative in how it serves people with such risk characteristics.

Q2: Do you agree that these areas capture what the broad role of the SFGB should cover?

As described at the beginning of this consultation, we believe the SFGB should have a statutory objective to partner and work collaboratively with the retail financial services sector, especially the personal finance profession, in meeting the five areas described.

The consultation already suggests the presence of an objective about working with stakeholders: "[The SFGB] should work with financial services sector, pensions industry, charities, government departments to help people get the right information and guidance that they need either directly from the SFGB or from other high quality sources." [p.10, para.2.4].

However we think this objective is insufficient. The Government should convey to the financial services sector, especially the personal finance profession, that it wants to move on from previous issues and disagreement, that it is prepared to single out the importance of partnering and collaborating with the sector to jointly improve public confidence and engagement. Such an objective would require the SFGB to:

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- coordinate with the sector in surmounting challenges around consumer communication and maximising consumer engagement;
- coordinate and co-brand with the sector on dealing with consumer issues and detriment such as financial scams;
- continue its efforts to develop and deliver a national financial capability strategy in partnership with the widest and most representative group of stakeholders; and
- provide regular reports to the public planning and documenting these activities.

Q4: Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations to improve financial capability?

Yes. We have welcomed and actively participated in the various activities led by the Money Advice Service in the last few years to take forward the national financial capability strategy. The Financial Capability Board should continue to exist in the new organisation, and continue to provide regular reports on its progress.

Q5: How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?

The key here is coordinating between various organisations undertaking research in areas related to financial capability and consumer retail financial services issues. One approach could be facilitating the creation of a research network where organisations could post and share findings on these issues. It could work in collaboration with the think tanks, university research centres and the Economics & Social Research Council to ensure academic input, but also involve any organisation interested in conducting research be it academic or otherwise. A caveat here is not limiting the research to that of an academic variety. It should include not just academic research papers but also smaller scale research projects.

Such a network would also facilitate collaboration between funding organisations in supporting specific research projects. One of the biggest hurdles in conducting original market research on retail financial services is that the unique nature of many of the inquires means that the respondent sample sizes have to be sufficiently large to ensure data robustness, which in turn means greater research costs.

Another challenge to conducting research is avoiding overlap with relevant work already undertaken. The network could make available findings in a searchable database.

Q7: Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?

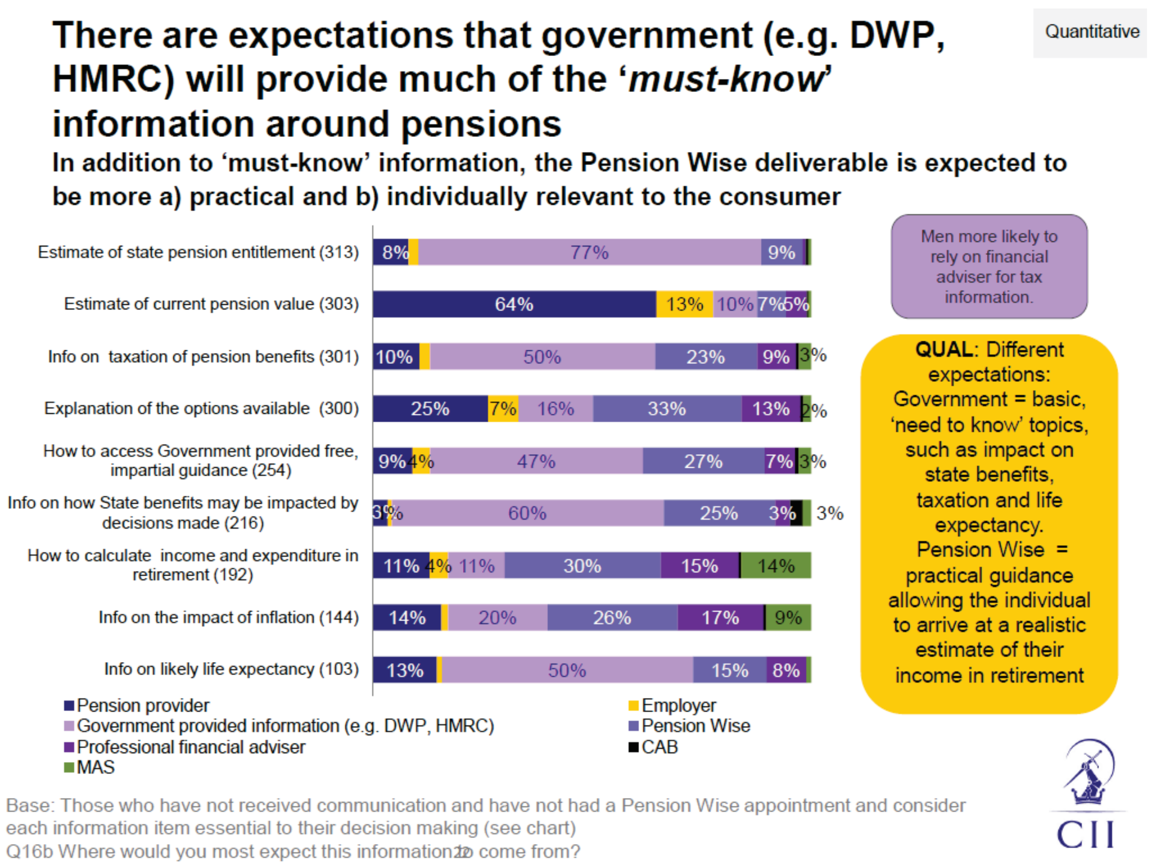
Social media including Twitter and especially Facebook as well as mobile device apps are all of increasing importance to consumers. As regards the latter point, all on-line presence of the new single body should be compatible with mobile phones and tablets.

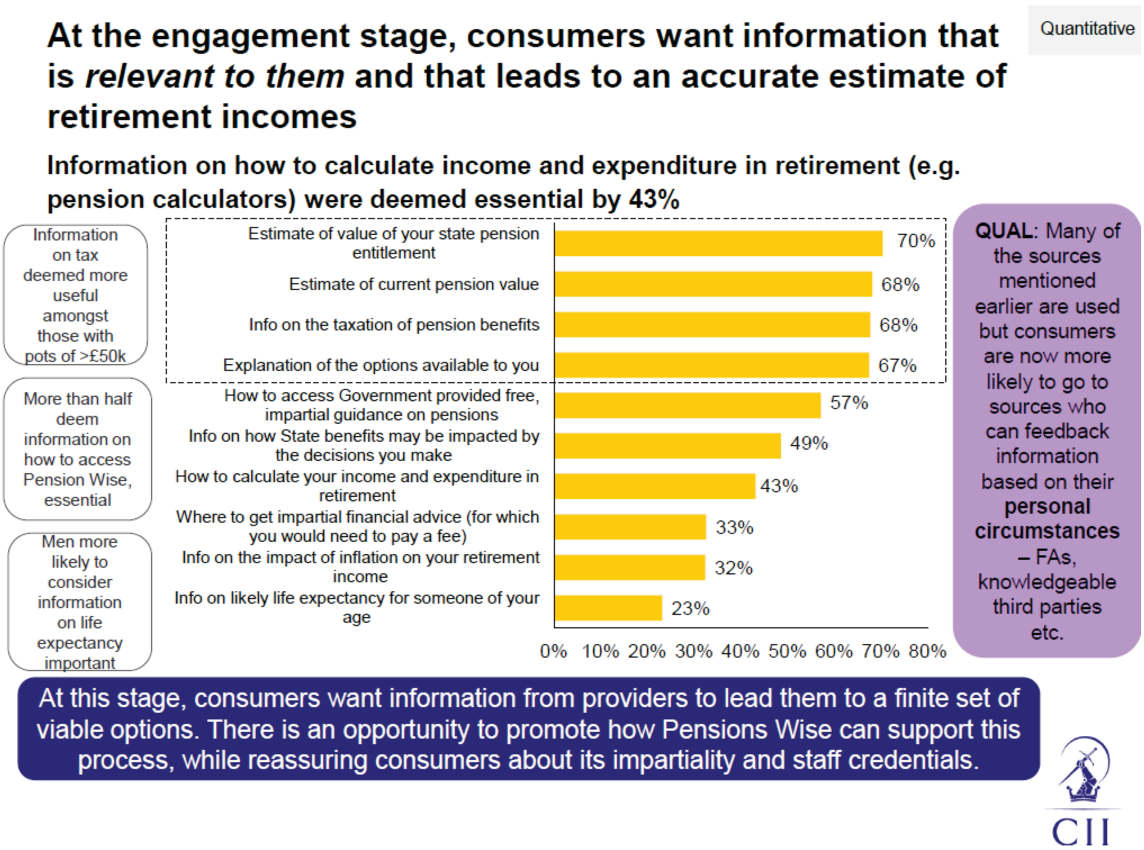
Q8: How should the SFGB ensure that it engages consumers at the right time for them?

This depends on the nature of the financial service inquiry and there might be multiple approaches to reaching out to the customer in a timely fashion. We have conducted substantial research in this area, and are suggesting three approaches: coordinating with what we call the "trigger data-holding" government departments, offering a Financial Health Check session, and adopting a better referral system to financial advisers. We explore each in turn.

Background research: the need to reach customers at the right stage in their lives

In the area of at-retirement guidance, our own research most recently published in 2016 reveals that consumers need assistance well before they actually retire. We found that consumers had often made up their minds about funding retirement long before they receive any retirement material. The research returned some quite insightful information of the various places consumers feel confident turning to at various stages in their information gathering process, and highlighted the importance of life and pensions firms, the personal finance press,





One solution: better interaction between the different holders of "trigger data" about consumer behaviour

A common conclusion from much consumer research including our own is that:

- there are certain "trigger events" in a consumer's life that result in a need for a financial decision (marriage/co-habitation, purchase of a property, first/subsequent children, serious medical condition, employment milestones such as first job and unemployment, retirement, death of partner);
- the key to timely assistance and making the consumer aware of this assistance, is acting at exactly those trigger points when consumers are likely to need it, and be thinking about needing it; and
- the government in fact is the only body that actually retains real-time data on precisely those trigger events.

For example, the birth or imminent arrival of a first child gives rise to a natural parental question about life assurance and income protection. HM Revenue & Customs will know when a taxpayer is expecting a first child from their Statutory Maternity Pay returns. Could the SFGB work with HMRC and other similar "trigger data"-holding organisations such as the Department for Work & Pensions so that the public are sent invitations at the opportune time in relation to those events?

Similarly, invitations for the public to engage with the SFGB could be included in official government correspondence, such as when a consumer reaches retirement. Our research has also shown that consumers place a higher importance in correspondence and invitations for assistance when associated with official correspondence compared to for example marketing material.

Offer to all consumers a session with a financial adviser for an early- to mid-life financial health check

We think the best way to engage customers is offering them the Financial Health Check session described above. We have long joined other bodies in calling for the Government to offer a financial health check or "financial MOT". This is by no means new, and the Personal Finance Society has participated in numerous stakeholder forums over the years to discuss its feasibility.

Instead of an on-line service or retirement advice proposal, the idea suggested here is that all working adults receive one free (or heavily discounted) session with a financial adviser. The service could have the following requirements. The session would be:

- **offered to customers early enough in their working lives** to consider the range of options facing them including pension savings choices, income protection needs, housing finance, other debt exposure, life assurance, and general insurance;
- **free at point of use or heavily discounted:** a small user charge might ensure the scheme is used by customers in the manner intended. The cost of the session could be met jointly between the Government and the financial sector;
- **could be available by telephone or face-to-face:** it might have an emphasis on the former to reduce costs and maximise impact;
- **could lead to suggestions of paid-for financial advice:** of either holistic or of a specific nature. There is a risk that advisers might over-prescribe, but this would need to be taken on trust;
- **delivered by a financial adviser:** qualified to give holistic financial advice and is a member of a professional body; and
- **would culminate in document setting out suggested next steps:** for the customer's review which could include receiving further financial advice. The format of this document could be standardised and agreed with the personal finance profession.

Improving handover: creating an effective referral system to financial advisers

The success of both these measures is rooted in an effective handover system where the SFGB can refer consumers to an appropriate qualified financial adviser. We were disappointed when MAS elected to recreate its own Regulated Adviser Directory even though there are similar and more effective adviser directories in the market. In fact, this process was just the sort of duplication and overlap using Financial Levy-derived funds that gave public financial guidance the negative reputation with the sector.

Our view now is the same as it was in our response to the MAS 2014 consultation on this directory. The solution is not re-inventing the directory, but rather creating a system that pulled together data from existing databases and adding additional services, in a way that complements rather than duplicates resources.

On-line scraping technology has existed for years that detects and pulls information from one website and places it on another. Web users are able to access directories that pull data off other directories and re-package the data in a way that suits the user's information needs:

- the online National Rail Inquiries privates a single website from which consumers can access the timetable database of the several train operating companies, and presents it to consumers in a tailored format;
- TripAdvisor presents a seemless trip destination research process including overall destination and things to do listings, then hotel reviews and finally accesses competitive hotel room rates from various travel sites like Expedia and LastMinute; finally
- the insurance price comparison websites access a range of product data from different participating insurers, and present this systematically, eliminating the need for the user to visit each individual insurer.

So the technology exists to create a single customer-facing search resource for existing financial adviser databases. The benefits of such a process would be obvious:

- **a simpler customer journey:** seamlessly linking the MAS website with potential leads in the regulated advice sector;
- **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;

- **would not involve any data transfer from existing directories:** hence there would be no data protection implications. SFGB 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.

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Contact:

Laurence Baxter
Head of Policy & Public Affairs
The Personal Finance Society and
Chartered Insurance Institute
020 7417 4783
laurence.baxter@cii.co.uk

Keith Richards
Chief Executive, The Personal Finance Society; and
Managing Director: Engagement, Chartered Insurance Institute
020 7417 4474