

GfK.Growth from Knowledge



Simple transparent financial products research

A research report for:



Provided by: GfK Financial

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1. Background

As part of the drive towards financial inclusion, HM Treasury is to examine whether consumer choice and purchase in the retail financial area is both accessible and easy to understand.

In November 2009, GfK NOP Financial was asked to conduct an initial piece of exploratory qualitative research intended to increase understanding into the following targets:

- the consumer perspective on financial product complexity and how this affects choices (or lack of choices);
- which financial products require investigation; and
- steers on what simple transparent products would look like to the customer and how they should be presented.

These findings will feed into further consultation that the HM Treasury plans to conduct.

2. Objectives

In order to meet the targets outlined by the HM Treasury seven specific objectives (which fit into two distinct categories) were defined for this initial piece of research:

Understanding and behaviour

- Which products are considered essential - serve the most basic & widespread need
- Which are more complex / least simple & transparent
- To what degree, if any, consumers find retail financial products / services confusing
- Resulting impact of any confusion on behaviour
- Explore the decision making process

Potential solutions

- Explore how essential products can be made easier to understand
- Explore appeal of propositions to potential customers and identify the most attractive features

3. Methodology and sample

The research approach comprised ten mixed gender group discussions - each lasting between 1½ -2 hours. This number of groups was conducted to ensure the research represented a good mix of:

- Age / life-stages.
- Socio-economic groups (B, C1, C2 and D).
- Personal income levels and financial holdings.
- Regional variation (North and South of England).

So that the discussions were meaningful for the respondents all had either recently purchased at least one of the following products or were planning to in the next two months:

- A new mortgage.
- Second mortgage.
- Various insurance products including: home, personal, life, motor, travel and pet insurance.
- Savings and investment products including ISAs.
- Credit card.
- Pension.

Two to three respondents in each group had not purchased a product recently for a reason other than limited time, so we could capture the perspective of those who had a financial need but failed to implement this.

The overall sample structure is outlined below:

AGE/ LIFESTAGE	NORTH (MANCHESTER)	North (MANCHESTER)	SOUTH (READING)	SOUTH (BRISTOL)
Retired 55-67yrs			Group 1 Liquid assets of £30k and over	Group 2 Liquid assets less than £30k
Working age 37-60yrs	Group 3 Personal income less than £20K	Group 4 Personal income £21k-£40k	Group 5 Personal income £41-£75	
Working age 21-36yrs		Group 6 Personal Income £41k-£75k	Group 7 Personal income less than £20k	Group 8 Personal income £21-40k
Younger consumer 18-21yrs	Group 9		Group 10	

Recruitment was conducted by Total Focus Ltd. The respondents were ‘free found’ (i.e. not recruited from sample lists but approached randomly and screened by a professional recruiter) and paid an incentive of up to £50 to participate. All the groups were audio recorded for analysis purposes. A proportion of the groups were viewed by a representative of HM Treasury.

4. Overview

This initial piece of exploratory qualitative research undertaken by GfK Financial identifies many products that are considered essential i.e. common and serving the most basic widespread need. Many factors (consumer, product and industry related) are found which drive the level of complexity faced and confusion experienced.

A widespread lack of trust appears which stems from a feeling that consumers are disempowered and not treated fairly by the financial industry (particularly insurance companies). Consumers feel an ever present danger of not having made effective decisions during the selection process; and not having found the 'catches' and hidden charges which could impact negatively on them financially or affect their ability to make a claim (with insurance products). These 'catches' are said to be hidden in jargon and small print.

There is an increased dependency on the Internet (mainly the use of comparison websites) as a source of information and as a key enabler this will continue to have an important role and help to empower users. However, currently the use of comparison sites is mainly restricted to the selection of less complex products. Financial experts are often consulted when selecting products that are more complex.

The research suggests there is a significant need for greater fairness, transparency and clarity to help consumers make more effective and confident decisions when selecting financial products. Of the suggestions put forward, those which are congruent with addressing this need, particularly in the area of communications and personalisation, have been positively received. The most popular suggestions are 'key information' and 'simpler labelling'.

5. Management summary

The key findings are summarised below

- Products that most consumers identify as 'essential' (common and serving a basic widespread need) include:
 - current accounts, savings accounts, loans, credit cards and motor insurance
- In addition the following products are deemed essential by older consumers:
 - mortgages and associated insurance products, critical illness cover / income payment protection and personal pension / annuities
- Products that are considered less essential (less common) during a recession, particularly amongst younger consumers (under 36 years old) are: ISAs, investment products, equity release, second mortgages, private medical insurance and pet insurance.
- Products identified as more complex and more confusing include:
 - More essential products: mortgages and associated insurance products, pensions including critical illness cover, income / payment protection.
 - Less essential products: ISAs, investment products, equity release, second mortgages and private medical insurance.
- The research found three drivers of complexity. These are outlined below and include further subsets:
 - Consumer related factors: lack of knowledge, lack of confidence and apathy
 - Product related factors: risk, regularity of contact and range of choice including price
 - Industry related factors: lack of trust, ever changing market conditions and an imbalance of power
- It is clear there is a widespread lack of trust which stems from a feeling that consumers are not treated fairly by the financial industry. Two key unfairness models that influence lack of trust found in previous GfK research and mirrored in these findings are outlined below.
 - Intentional unfairness: which appears to be product related - appears frequently in pricing and communication (small print and jargon).
 - Unintentional unfairness: usually a deficiency of provision combined with a neglect of relationship (incompetence + power).

- To some extent the degree of difficulty faced during the selection of essential financial products can be determined by how thorough a consumer wishes to be.
- The selection process is also very product driven. The Internet, in particular comparison sites have helped empower users to some extent. Both the Internet and comparison websites will continue to have an important role across life-stages though mainly when selecting less complex products. Consumers often turn to expert advice when selecting products that are more complex.
- The research identifies a need to improve the selection process to support effective and confident decision making. Specifically, the research calls for increased transparency, simplicity, clarity, honesty and fairness; much of which is seen as possible through improved communication and personalisation.
- Consumers would welcome a move towards 'simpler labelling' and 'key features' for quicker sourcing of information and easier comparison. These are the most popular suggestions put forward.

6. Main findings

This section provides an in-depth commentary on the main findings coming out of this exploratory stage of research (that will feed into further studies). Anonymised verbatim has been used to give added weight to key findings and to bring consumer attitudes to life. The discussion guides used during the group discussions and the recruitment screeners are available to view in the [Appendices](#).

At no point in the following findings will numbers or percentages be used to illustrate points being made. The qualitative nature of this stage means that the numbers of respondents involved simply are not large enough to stand up to statistical scrutiny. The aim of this report is to provide an exploratory insight into the key themes emerging from the research with verbatim taken from the focus groups to further illustrate these.

The qualitative findings found no regional and very little socio-economic variation across the focus groups. Where there is variation, age and life-stage appear to be the main determinants and these are referred to where relevant within the text.

The research was carried out towards the end of 2009 during a relatively unstable financial economic climate and this has clearly had an influence on some of the findings. Reference has been made to this influence in the text where it is significant.

6.1 Disaggregation of products

This section examines consumer understanding of which financial products are considered more essential, i.e. serving the most common and basic widespread need.

For the purpose of this research, the term 'essential' has been used to mean serving the most common and basic widespread need. Products that most consumers identified as 'essential' in this way include:

- current accounts and savings accounts
- loans and credit cards
- motor insurance
- mortgages and associated insurance products: life insurance / assurance and property insurance
- critical illness cover / income payment protection
- personal pension / annuities

Most essential financial products

Current accounts are seen as a basic necessity in modern society upon which having other products is reliant, e.g. savings account, loan and mortgage. Current accounts and **savings accounts** are seen as something consumers are encouraged to have from a young age (often at school) and are therefore very common.

Loans are seen as a 'necessary evil' and perceived to be very common with many people living beyond their means and routinely having a loan to supplement their income. Some of our consumers (in the lower socio economic grades) admit to also doing this and seem to accept it as normal. **Credit cards** are seen as increasingly necessary to have. Initially, there can be some reluctance to admit to how essential they are to participants themselves during a group discussion.

Motor insurance is a legal requirement and therefore common and serving a basic widespread need.

The majority of consumers consider **travel insurance** to be essential. This is considered to be quite inexpensive. As such, it can seem foolish not to purchase it considering the potential high cost of being treated at a hospital abroad. Furthermore the risk of luggage and other possessions being damaged or lost is considered to be quite high.

Variation in opinion across the groups can exist with regards to which products are considered more essential with age and life-stage being the only significant determinants. Consumers within the younger group and pre-family life-stage, particularly those aged between 18 and 21 years tend to classify fewer products as essential because they are perceived to have less relevance to their life-stage.

There is some difference in opinion as to whether **mortgages** can be classified as essential. Home ownership is seen as a common aspiration of virtually everyone and accordingly mortgages are commonly seen as a socially acceptable form of credit. Indeed, a minority even argue that mortgages are a more useful form of investing for retirement than a pension. Although acknowledged as common and serving the most basic and widespread need, during the current economic climate mortgages might not be as achievable and as such are less relevant to younger consumers (in their teens and twenties).

Many insurance products are often purchased alongside mortgages, such as **building insurance** and **life insurance / assurance**. Consumers claim to be contractually obligated to purchase these products as part of the process in obtaining a mortgage. However, similar to mortgages these products are not always considered relevant by younger consumers and therefore not as essential.

"You don't have to get them, but if anything goes wrong you'll wish you had them. So it's basically compulsory." Bristol 21-36yrs

"You can't get a mortgage without some of them (insurance products) you have got to have them." Manchester 37-60yrs

Critical illness cover and **Income protection** divides opinion. Some argue that this is more essential for those with a mortgage and children and in less secure jobs or self employed. However, some in this situation within the groups were unsure as to whether or not they had it.

"It's essential if you've got kids." Bristol 21-36yrs

Pensions / annuities are generally recognised to be an important product that everyone should have in place - although some argue that paying off a mortgage is more essential than having a pension. Across the groups, younger consumers (under 36 years of age) are less likely to have invested in this product type but realise the importance of getting one eventually.

"You should have a pension." Bristol 21-36yrs

Less essential financial products

Savings and investment products (including ISAs) divide opinion more so than with financial products deemed more essential. Older consumers, particularly those in higher socio-economic grades and with higher personal levels of income are more likely to consider these to be essential. However, it is often argued that savings and investment are not common during a recession and that conversely debt is more likely to be more common and widespread at such times.

*"I don't think of them (ISAs) as essential, I think it is a personal thing."
Manchester, 37-60yrs*

"It (ISA) is not basic or common is it." Manchester, 37-60yrs

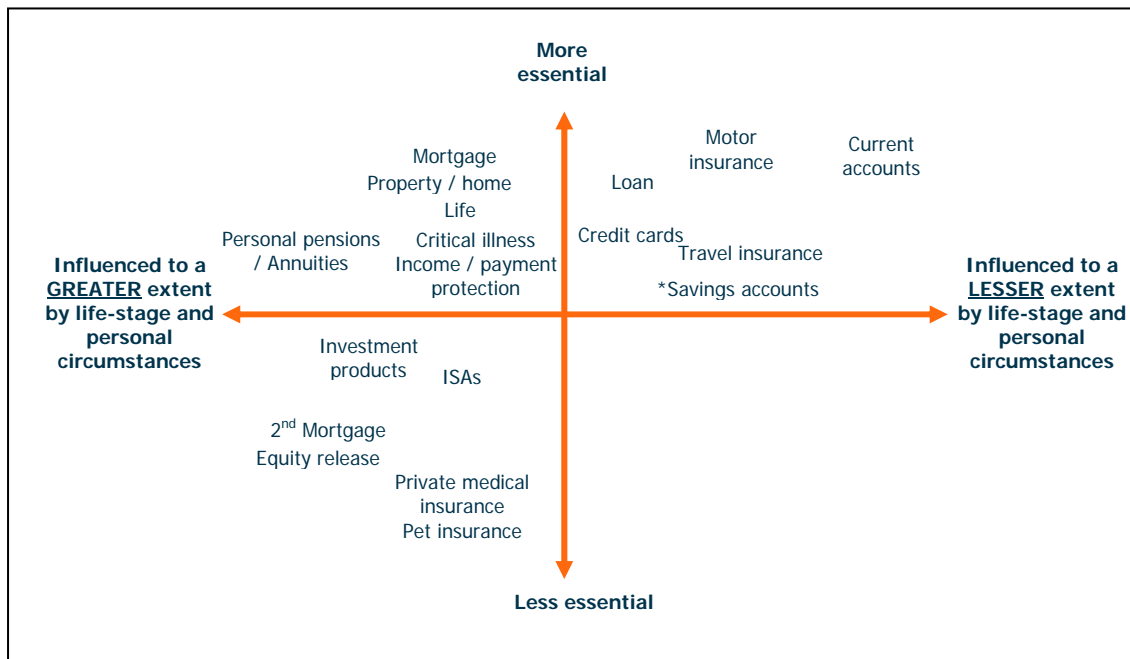
Personal circumstances can also influence the likelihood of how essential a product is seen, for instance a firefighter in one group views **private medical insurance** to be essential because of his high risk occupation. However, the majority across the groups consider this product to be a luxury and not serving the most basic widespread need, at least not whilst the National Health Service is widely available.

Similarly, someone with a small household pet for example a gerbil is less likely to view **pet insurance** as essential as an owner of a much loved 10 year old dog. Generally, however, pet insurance is not seen as common or serving the most basic widespread need.

A summary of more and less essential products

Grid (A) which can be seen below illustrates these findings in a visual format. Those products considered essential to more consumers across the groups, and less influenced by the consumer related factors (age and life-stage) can be found in the upper right hand quadrant of the grid. Whereas the products considered more essential and greatly influenced by the aforementioned factors can be found on the upper left hand quadrant. Those viewed as less essential in this context are represented on the lower dimensions.

Grid (A)



6.2 Drivers of confusion

This section examines levels of complexity associated with different essential financial products and the components which drive this.

Less complex products

Some products are viewed as less complex and therefore less confusing than others. The more straightforward products tend to be on the right hand side of grid A. These are listed below:

- **Current accounts, savings accounts** are considered the easiest to understand.
- **Credit cards** and **loans** are also considered to be relatively straightforward. However, consumers are cautious about the interest rate applied and what this actually means in terms of real money. This is particularly the case with credit cards where consumers can be quite fearful of the level of debt that can accrue if caution is not applied. Despite these dangers the products themselves are viewed as less complex overall.

“When you get a credit card we all know pretty much how a credit card works...but don't be shocked when you get stung.” Manchester 21-36yrs

- **Motor insurance** and **travel insurance** are considered to be less complex when compared to products on the left hand side of the quadrant, but more complicated than current accounts, savings accounts, loans and credit cards. Mainly because of the risk of making a mistake that could invalidate a future claim.

“Travel and car (insurance) are fairly easy.” Reading 21-36yrs

"I wouldn't put that (motor insurance) as complex." Bristol 55-67yrs

More complex products

Products identified as more complex and confusing tend to be found on the left hand quadrants on grid A (with the exception of pet insurance). The more complex products are listed below:

- More essential products: mortgages and associated insurance products, pensions and critical illness cover, personal income protection.
- Less essential products: ISAs, investment products, equity release, second mortgages and private medical insurance.

These products tend to be viewed as having more of a financial risk not only to oneself but also to dependants. Particularly, as the chances of making a mistake by not reading the small print, is believed to be quite high. Other significant factors are outlined in section 6.3.

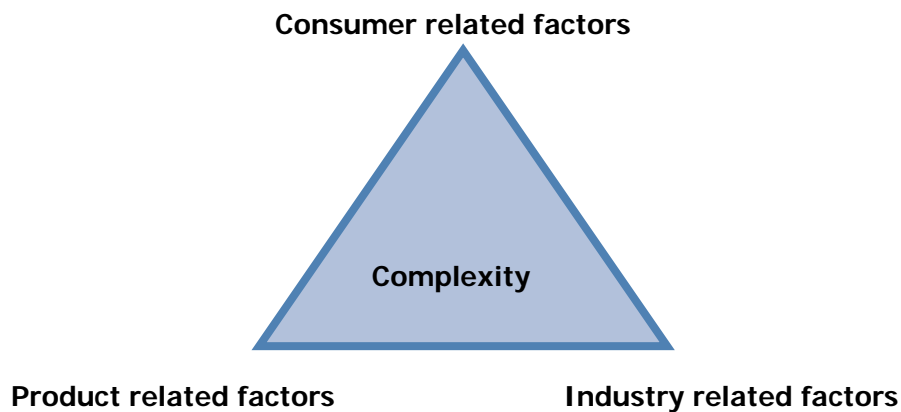
Pensions and in particular **annuities** are also viewed as complex and confusing with few seeming to understand what is meant by the term annuities.

"(Annuities) I don't know what it means." Manchester 37-60yrs

Few are knowledgeable about **private medical insurance**, but on balance thought to be quite complex if someone were to arrange it themselves and less so if arranged by an employer.

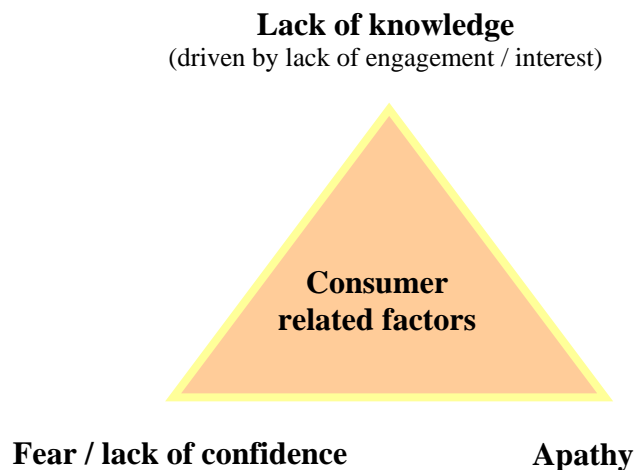
Factors which drive complexity & confusion

Three factors appear to drive the level of complexity and confusion faced by consumers. These factors are identified in model (B) below. These factors are not mutually exclusive and can include a degree of overlap.



Consumer related factors

Within this model, consumer related factors can be broken down into three further subsets which describe them in more detail. These are outlined in model C below.



Many acknowledge their own **lack of in-depth knowledge** when selecting more complex financial products. This seems to be driven by a lack of interest in the subject of finance and a resistance to learning more. A commonplace lack of engagement is therefore ever present, fuelling **apathy** with consumers looking for shortcuts to make the process quicker and easier. Consequently there is a common tendency to view the selection process of financial products to be arduous and time consuming.

"It goes over my head...it's just a nightmare." Manchester 37-60yrs

The research suggests that consumers find it difficult understand the financial implications of advertised interest rates and Annual Percentage Rates. In addition, a few admit to not knowing what APR stands for and in some cases with credit cards what it is applied to. These consumers feel unable to reveal to financial companies that they might not be knowledgeable in case they are manipulated into purchasing inappropriate products or services.

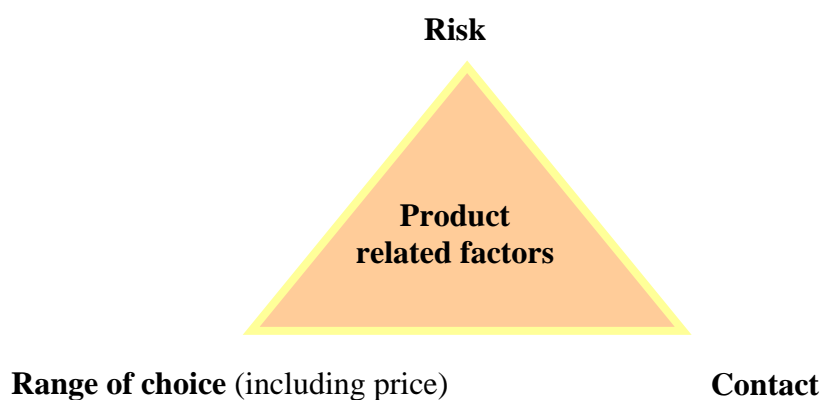
"You should know but you're going to feel inadequate if you ask what it (APR) means." Manchester 37-60yrs

Consumers often express a **lack of confidence** that they are asking the right questions during the selection process and generally it is believed that the onus is on the consumer to assess the suitability of the product for themselves and to investigate whether there are any drawbacks in the guise of hidden 'catches' or charges for example. There is a general feeling that there is not a great deal of support to help with this from financial providers, particularly insurance companies.

"It sounds stupid but I don't know what information I need to look for...what other things are they supposed to be telling me." Bristol 21-36yrs

Product related factors

Within this model, product related factors can also be broken down into three further subsets. These are outlined in Model D below.



Risk

Risk appears to be ever present when selecting the more complex products, particularly insurance products (and even to a smaller extent with the purchase of less complex insurance products). In the case of mortgages, if the wrong choice is made there can be substantial financial loss and it can be difficult to exit a contract without incurring further financial penalties.

"My mortgage is up for renewal and my head is spinning because I'm thinking I know interest rates have fallen but am I going to cover it and will they reject me...what's going to happen if I lose my house...with mobile phones it's just 24 months with mortgage it scares the hell out of me." Reading 21-36yrs

An underlying theme that emerges from the research is the lack of trust felt towards the financial industry particularly insurance companies (this overlaps with industry related factors outlined in the next section). Complex products are said to have drawbacks (and 'catches' as they are often referred to) which could potentially impact very negatively on them financially. Some of these catches include things that a customer might not be covered for and hidden charges etc. These 'catches' are said to be hidden in the jargon and small print.

"They tell you the benefits but not what's covered." Reading 21-36yrs

Consumers often speak of a manual or equivalent type of communication received when they select one of these more complex products, which is supposed to be informative and yet is said to rarely help because of the lack of clarity. Few however, are likely to point out to a financial company that they do not understand them.

"There will be every single loophole possible to not give you the money and that's where they lose trust. You know with every single insurance product even if you make a claim you're not going to see everything back they'll always rip you off at the end of the day." Reading 21-36yrs

"They cover themselves by giving you the manual. Which is the same size as a phone book for you to read everything you're covered for and not covered for which you're not going to (read)...it's almost a bit of a con." Reading 21-36yrs.

"Whenever I read anything like that I get part way through look back and think what did I just read? There's no point me reading it." Reading 21-36yrs

"Jargon is used to exclude people...people are not part of the (financial) group they don't understand what is going on... don't have access to information they really need." Manchester 37-60 yrs

As stated, a reason for not wanting to point out any gaps in knowledge is because there is a feeling of being vulnerable to ruthless sales techniques once a weakness has been identified.

"I think it's (about) not wanting to look like you don't know." Reading 21-36yrs.

"Who you are asking is trying to sell you something." Reading 21-36yrs.

A function of 'the small print' is that providers can change terms and conditions if they so wish or if the market dictates they must. It is argued that these terms / small print exist to protect the organisation rather than the customer.

"They just put down these terms to protect themselves." Manchester 37-60yrs

"It's not until you read the small print that you think I've been shafted here." Manchester 37-60yrs

Range of choice

The huge range of choice driven by different personal circumstances and the level of risk a consumer would like to take makes it difficult to understand how they all differ and how to compare products. Consequently there are fears that without expert advice how would consumers know whether or not a product that looks attractive is the most suitable product for them.

"It's easy finding the products. It's hard to know what is the right one for you. That's difficult." Reading, 18-21yrs

"It's harder to compare so there's more pressure to get it right... That's where the pressure comes from." Reading 18-21yrs

Price is seen as a primary driver in decision making when selecting financial products, particularly for more financially astute consumers who are happier to monitor the market more regularly and switch providers to take advantage of better offers.

Price comparison websites allow users to narrow down products easily and quickly by price. This useful aspect of the website format is congruent with consumer needs within this sector.

However, many consumers are not researching the market thoroughly on price or as eager to switch providers to take advantage of cheaper deals. Most demonstrate a relative amount of apathy and are in danger of being at a disadvantage and paying more than those who are more thorough in their investigations.

Many worry that they have not read the terms properly and there will be a negative financial impact on them at some point through hidden charges or penalties.

With credit cards consumers feel that many face the danger of losing control of the amount owed. In part because there is thought to be low awareness of what typical APR actually means. In other words, the full price of using one of these products is not always understood until the statement is received.

*"If you pay the minimum amount on credit cards... you'll never pay them off."
Bristol 55-67yrs*

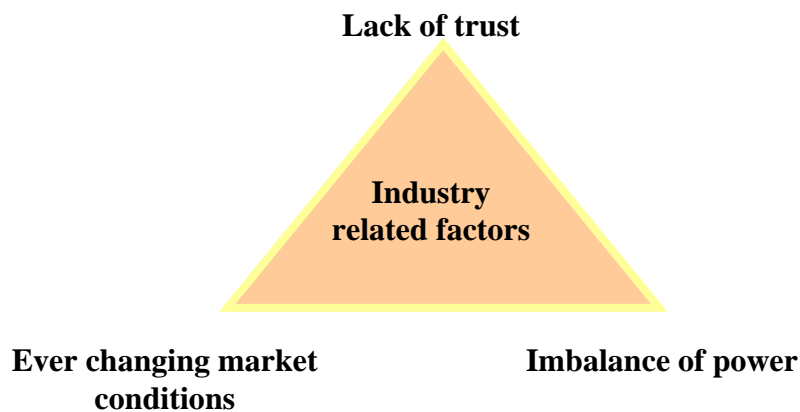
Contact

The less essential products are said to be monitored less frequently by consumers themselves. Consumers are highly likely to defer to an expert (either an IFA or an advisor affiliated to a financial provider). As such this lack of familiarity and being 'back of mind' once in place can also make it more difficult to learn.

"[There are] Products that are annual that you should do regularly and doesn't cost you an arm and a leg...the other things are expensive and less familiar and that's where the complexity lies." Reading 21-36yrs

Industry related factors

Finally, industry related factors can also be broken down into three subsets, as outlined in Model E below.



Lack of trust

Throughout the research it is clear there is a significant lack of trust felt towards the financial market generally, particularly towards insurance companies, who are usually regarded as inherently unfair / less honest than other sectors. Whether the lack of transparency perceived by consumers is intentional or unintentional is unclear. Some argued that there must be an element of intention, implying that they exploit 'mass ignorance'.

"They try to draw you in ...makes it (product) look great...and then you read the small print and it's not what it seems....there's always a catch....terrifying." Bristol 55-67yrs

"They don't want you to understand because then you'll make a claim." Reading 21-36yrs

"We hope for transparency but we don't get it." Bristol 55-67yrs

"Check your life insurance and critical illness cover because the most likely thing to kill blokes between 35 and 60 yrs is prostate cancer. Root through your life insurance and 99% of life insurances won't cover it." Manchester 21-36yrs

"I think it's confusing (selection process) but in some cases they just don't tell you (what you need to know)...not asking the right questions and them not offering (information)...bad customer relations." Bristol 55-67yrs

"There's a perception that everyone in the financial sector has an agenda." Reading 18-21yrs.

"Without them lying they don't give you the full story." Reading 21-36yrs

"You've got to ask the right questions...and because you didn't ask they didn't say." Bristol 55-67yrs

Ever changing market conditions

There is also the argument that to some extent it may be unintentional and that the financial market is confusing by its very nature and it is difficult to add clarity to such a confusing subject matter, particularly with all the different personal circumstances to cater to, ever changing market conditions and new competitive products always emerging.

"Mortgages are complex because there is such a wide range available." Bristol 55-67yrs

Imbalance of power

Underlying all these arguments is a general feeling of powerlessness when dealing with the financial sector. GfK has found in previous research that a more binding relationship tends to exist between the consumer and the providers in this industry, compared to other product sectors. This adds to the feeling that customers are at a disadvantage and part of being disadvantaged is that existing customers feel vulnerable to receiving poorer deals than new customers and that a reluctance to

switch providers can mean not taking advantage of better deals on the market. This feeling was mirrored to some extent in this research.

"It surprised me...how reluctant I was to move (banks)...the idea of moving seems like a hassle." Reading 18-21yrs

"Your loyalty doesn't count for a lot." Reading 21-36yrs

"You're better off being a new customer than an existing customer." Reading 21-36yrs

It was argued in some groups that companies are happy to sell financial products that consumers do not really need and that older people, including the elderly are particularly vulnerable to this type of **ruthless hard sell** from financial providers including their banks.

Consumers also feel exposed to the hard selling of associated insurance products when purchasing mobile phones and personal computers. In some cases, even when a customer is already covered under their home insurance.

Insurance companies are most often suspected of being dishonest and unfair. Consumers also complain that they often buy car insurance but are **too afraid to make a claim** that it is often cheaper to pay for damage incurred in an accident directly than face excess fees and lose a no claims bonus. In these instances it feels like the companies are taking advantage of consumers who are legally required to purchase the product.

"I don't claim on it...just pay and get it fixed...it's nonsense. I've got protected no claims but my premium will still go up, a nonsense." Manchester 18-21yrs

Two key unfairness models (outlined below) that influence lack of trust have been found in previous research GfK has carried out and is also accurately mirrored in this research. These are summarised below:

- **Intentional unfairness:** which appears to be product related - appears frequently in pricing and communication (small print and jargon) thought to be adopted to discourage it from being read thoroughly. This is particularly seen as a problem with insurance.
- **Unintentional unfairness:** usually a deficiency of provision combined with a neglect of relationship (incompetence and power). Consumers can feel locked in with nowhere to go - trapped in an unreliable and uncaring industry.

*"You're always going to think banks are against you if something goes wrong."
Reading 18-21yrs.*

Throughout discussions about intentional or unintentional fairness, discussions inevitably lead to the Government's role in this situation. There is a widespread feeling of resentment and lack of trust felt towards the Government for appearing to do little to protect consumers from the excesses of financial organisations.

"I don't trust the government." Manchester 18-21yrs

It was mentioned in a minority of groups that the FSA had helped a little with clearer communication for credit cards and that mortgages are monitored and regulated. Despite this, there does appear to be a great need for more transparency and clarity, particularly in the area of insurance.

6.3 The selection process

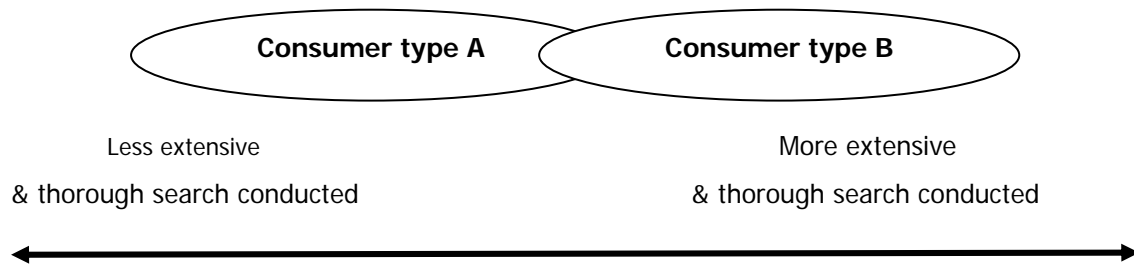
This section examines the selection process including factors that drive and inhibit effective decision making.

Consumer related factors

To some extent the degree of difficulty faced during the selection of essential financial products can be determined by how thorough a consumer wishes to be.

"You can make it as complicated as you want...you might get some people...who make it their life...look through details with a magnifying glass." Bristol 21-36yrs

There tends to be two types of extremes that can be found amongst consumer behaviour during the selection process. The majority of consumers interviewed fall between the two extremes and these are not mutually exclusive, there can be a degree of overlap. The two consumer types are illustrated in model B below.



Consumer type A

Towards the left hand of the spectrum there are consumers (type A) who seek a simplistic approach to selecting financial products. These consumers are less likely to be knowledgeable about finances and less confident about the selection process. These consumers are less likely to research products as in-depth as other consumers and are unlikely to conduct such a wide comparison.

"Depends on who you are, there are people that will go for the first offer they see." Reading 21-36yrs.

Consumer type A can also be more loyal to a provider and less likely to switch as regularly to take advantage of better deals on the market. They are also more likely to have multiple products with the same provider.

"I stay with mine even though the premium is quite high because if anything happens I can call John up and it's sorted...so it's not always price." Bristol 55-67yrs

Consumer type B

Whilst at the other end of the extreme there are consumers (type B) who are more knowledgeable about finance and more likely to be Internet savvy (but not always). They tend to research various products in greater detail and make many more comparisons to ensure they are getting the best possible deal. As a result they can appear to be more price-sensitive.

*"You go shopping but you don't pick up the first things you see you look around for the best offer... and find out what is the best and go in deeper."
Reading 21-36yrs.*

"If it's important you spend more time over it." Bristol 21-36yrs

A few consumers describe carrying out their own internet based research (articles, forums and comparison websites) and then contacting short-listed providers direct to negotiate on offers seen on comparison websites to get a better deal than advertised.

"A good starting point (comparison websites and responding to adverts seen) but if you go direct (to a provider to negotiate) you get a better deal." Reading 18-21yrs

Product driven factors

The selection process also tends to be product driven. The Internet is seen as a tool that has empowered consumers to some extent by allowing quick and easy access to a very large amount of information. Furthermore, with the arrival of comparison websites consumers are able to compare a wider range of products more quickly and easily.

"I think you can get what you want at your own price now...all you got to say is: I know someone who can match that... before you had to accept the price

and that was that....you can get it a lot cheaper on the Internet.” Bristol 55-67yrs

Less complex products

Much use is made of comparison websites when selecting less complex products, but few rely on these sites in the same way for other, more complex, products.

Consumers argue that the Internet (articles and forums) and mainly comparison websites are trusted by many for being impartial. They also have the advantage of not conducting a hard sell which can happen when a consumer speaks to someone in person or over the phone.

Consumers also appear to have fewer inhibitions when using the Internet generally and can look up ('Google') answers to questions that might embarrass them or make them feel vulnerable if speaking to someone.

There are some concerns expressed that companies might penetrate forums and deliberately try to mislead. However, most consider these to be impartial and fairly trustworthy because endorsement is from the consumer rather than the industry itself. This suspicion illustrates the lack of trust felt towards the financial sector generally.

For the more confident consumer, comparison sites can also add confidence and reassurance about a lesser known brand. By being mentioned on the comparison sites, it adds credibility to the brand and reassurance that it is safe.

“Coming back to the trust issue, these comparison websites ...I don't think they'd take a chance of advertising a company that is not reputable because it will come back on them...I'm with a company I've never heard of before because I got that through a comparison site which had a good reputation.” Reading 21-36yrs

The following comparison site brand leaders mentioned include:



A summary of the **strengths** credited to comparison websites are outlined below:

- Source a wide range of options.
- Help speed up the process – options appear instantly
- Bring forward 'best' price - a primary driver when making the decision.
- Recommendations provided but you still get to choose.
- Adds reassurance that brand shown is credible via the size & media profile of the sites themselves.
- No pressure to buy additional products or hard sell

"It's quicker than going to companies individually." Reading 21-36yrs

A summary of their **weaknesses** include:

- Not all companies (even well known brands) are included on the sites.
- A minority are unsure as to how impartial the sites really are.
- Consumers are not fully reassured they are asking all the correct questions or not being misled by the small print or missing a clause in the agreement.
- Better deals can still be found by having direct personal contact with the providers.

"There's always going to be commission made ...that's where they (comparison sites) make their money." Reading 21-36yrs.

"Is a website comparison site impartial? No it is not. Because there are companies that are in it and companies who are not. So impartiality doesn't exist." Manchester 21-36yrs

"I never buy using the website....you can get £50 knocked off if you call them direct (after consulting offers on comparison sites)." Bristol 21-36yrs

More complex products

For more complex products consumers often defer to expert advisors (IFAs / bank advisors) and avoid making decisions themselves without this type of expert assistance.

"I just call my independent advisor." Bristol 55-67yrs

Although mortgages and associated insurance products are viewed as more complex and risky, it is important to point out that the process of selecting a mortgage can be made easier by letting the expert advisor do it. There also appears to be slightly more trust associated with mortgage providers than with insurance companies.

Some will go on to research products either before or after seeing their advisor, but ultimately they tend to rely heavily on the opinion of this third party individual for mortgages and related insurance products. The personal touch seems to be particularly reassuring for these products.

"I get a broker...they understand everything (products, about the market and my needs) ...they come to my house once a year and sort it all out for me." Manchester 21-36yrs

"The personal touch gives you a little more confidence...then you can make your own judgement after." Manchester, 37-60yrs

"It's the face-to-face contact that's important (to me)." Bristol 55-67yrs

"I'm going to go to a financial advisor a professional because it's so important (mortgages)...I wouldn't want to go to the Internet for that and speak to random strangers." Reading 21-36yrs

"It depends what you're buying if you are talking life insurance or a mortgage that has a huge effect on you then no (wouldn't rely on a comparison website) but for something like travel insurance some people buy it just for the one holiday, so it depends what level of financial package you are looking at." Reading 37-60yrs

The more knowledgeable and conscientious consumers within the groups point out the disadvantage of relying so heavily on an IFA is that not all products / providers are put forward by them; that there is commission to be earned by IFAs from the companies they put forward and so it is thought there is likely to be a level of bias.

In addition, advisors affiliated to one financial provider will not raise awareness of potentially more suitable products on the market. That would not serve the best interests of their employer.

Other sources of information

So far the report has discussed at length the use of the comparison websites and different types of financial advisors. However, the research found other sources of information consumers rely upon, which include:

- Internet: articles, forums, companies own web-sites
- Marketing: direct mail, billboards, TV and radio ads
- Articles and publications: newspapers, e.g. Daily Mail, Times, Sunday Times, also books related to managing finances
- Direct contact with providers (in person, phone or website)
- Word of mouth (family, peers, friends)

Martin Lewis is often mentioned as a useful source of information and advice. He is believed to be an industry expert who offers impartial advice on the Internet via

his website, articles, newsletters, forums and emails. He is a familiar face on morning television programmes and is regarded as very credible and trustworthy.

“Martin Lewis is quite a good money expert.” Reading 21-36yrs

6.4 Attitude towards potential solutions

This section focuses on consumer feedback regarding ideas put forward as potential solutions and consumers’ own suggestions for how to increase effective and confident decision making when selecting financial products.

The financial sector is generally seen as complex and confusing, particularly for many of the riskier and long-term essential products. There exists a common perception that it can be arduous and tedious to conduct background research, compare products and make confident decisions. It is also seen as difficult to compare those products that vary enormously, although internet based comparison sites have gone some way to help with this, but mainly for less complex products.

The research therefore identifies a need to improve the selection process and help consumers make more effective decisions more confidently. Specifically the research calls for increased:

- Transparency
- Simplicity and clarity
- Honesty and fairness

Consumers believe the route to improved transparency, simplicity and clarity can be achieved through improved **communication and personalisation**, specifically:

- Honest and clear promotional messages.
- Clear descriptions of products that accurately detail benefits to me.
- Ability to make comparisons more easily.
- Clear and understandable price.
- Highlighting extra charges and ‘catches’.

- To speak meaningfully - key features about upsides and downsides "for me".

However, consumers are afraid that this will translate into increased communication which is currently a large part of the problem.

"We talk about wanting clarity and therefore the assumption is that we want more terms and conditions but they give you so much information so you lose the little bits, that means you are not covered...but who can be bothered to read twenty seven pages. Manchester 21-36yrs

It is thought that perceptions of honesty and fairness would exist where there is transparency and clarity. Consumers respond well to ideas connected to **key features information** and **simpler labelling** as a first step towards improvement. These are seen as relatively easy solutions to implement which would make a significant difference to their experiences and perceptions of the industry.

More successful suggestions

The **key features** concept is one of the most successful ideas put forward. Key features that clearly and concisely outline the risk to consumers of what they are not covered for and where the 'catches' might be would be useful. Indeed the research suggests that this is crucial if financial organisations, in particular insurance companies are to be viewed as more socially responsible.

"I like key facts - what you are and are not covered for." Manchester 21-36yrs

"At least you can see at a glance then what you've bought." Manchester 21-36yrs

"No more bullshit." Manchester 37-60yrs

"It's better if it is short and sweet, with short bullet points." Manchester 18-21yrs

"Key facts and definitions...it's worthwhile... but what is critical is to have a cooling off period...until you get your documents through and all your nonsense

that is the first time you get to see it if you have a mind to read it." Manchester 21-36yrs

"Rather than having a 10 page document form you can read it in one page." Manchester 37-60yrs

Comparison websites are seen as a strong model to act as a platform for launching key information and key advantages versus any risks or disadvantages different consumers might face. The simplicity and user friendly nature of these websites can be less intimidating than paper based alternatives.

"Like a comparison website I think." Manchester 18-21yrs

The suggestion of a move towards **simpler labelling** is also generally well regarded and seen as a positive move towards greater transparency and eventually a potentially more honest and fairer system. This is something that should exist already and would definitely be welcomed. There are worries however, that labelling that is considered simple to financial experts when designing them might not be simple enough for the average consumer.

"This is what it is and what it does...great." Manchester 37-60yrs

"The Government needs to standardise it... A standard format." Bristol 55-67yrs

Introducing a **quality mark** is quite well received with relation to offering some level of reassurance and seen as pushing the industry by giving them a benchmark to introduce simple products with high standards and/ or services that are clear and transparent. It can also add reassurance to lesser known brands on the market to encourage consumers to venture away from the big brands and help reduce the power these big names are perceived to have.

"It (a quality mark) gives you a bit of reassurance." Manchester 37-60yrs

"People (brands) would aspire to that quality mark." Manchester 37-60yrs

"That would be great, back to where we should be." Manchester 37-60yrs

However, upon reflection doubts creep in as to whether this would simply turn into another marketing opportunity and see the price of the product increase because of the presence of the quality mark. Consumers also argue that all the main providers would have this introduced onto their products regardless of whether consumers have had bad experiences or not.

"A stamp...you know now they can put 25% onto the price of that product."

Manchester 37-60yrs

"The quality mark could be on how the information is displayed." Bristol 21-36yrs

There was some interest in a type of **traffic light system** for financial products in principle. Consumers could see this type of system working quite well to identify level of risk to customers and that this would be useful to ensure that consumers are not investing in an overly risky product without realising the level of risk involved.

"If it had a red light for caution...that would be good." Manchester 37-60yrs

However, it was difficult to envisage how this would work in terms of other types of information as products vary so much to tailor for many different needs and requirements. When taking all these variations into consideration consumers become concerned that the system could get too complicated, adding even more confusion rather than simplifying communication.

Some older consumers (37 years and upwards) and in particular consumers aged 55 to 67 years, are keen to see more **basic products with less frills** introduced onto the market. In principle the idea of having products put forward that are very simple and basic is congruent with the need for more clarity and increased understanding.

"We need them (products) to be simple." Bristol 55-67yrs

"I like that (no frills) ...no small print as well." Manchester 37-60yrs

"Does what it says on the tin...if you aren't that clued up on financial products. That's all you would want." Manchester 37-60yrs

However, upon reflection there is a fear there would be a danger of having a reduced range of less appealing products on the market if a move towards simplifying products were to be introduced. There is also scepticism as to how easy this would be to achieve in reality. On balance the consumers find it easier to envisage simpler labelling and communication of key features.

If the government were to introduce one of the more successful ideas the research suggests this move would reflect well on them. Through clearer communication and increased transparency organisations would appear more honest and it is thought that trust might grow from a move like this, in the long term.

Less successful suggestions

Less successful ideas to improve the selection process for consumers include **endorsements** and **guarantees**. Not all reject the concept, but the general lack of enthusiasm appears to be rooted in the lack of trust that exists towards both the financial industry and the Government currently. There is some disagreement as to who would be more trustworthy in this current environment of mistrust between the Government and the industry to endorse products. Some (usually 37 years and above) have more trust in the Government intrinsically although others will vehemently disagree with this, but the industry is viewed as having more credibility with regards to financial expertise. Both endorsements and guarantees are often seen as less meaningful in this current environment where unfairness (whether intentional or unintentional) is seen as the norm.

"I wouldn't even look at it." Manchester 37-60yrs

"Should be guaranteed anyway no matter what." Manchester 37-60yrs

"Guaranteed for what? They already do that." Manchester 37-60yrs

Ultimately **endorsement by the industry** and also to a slightly lesser extent the **Government** can imply that it would be self governing which ultimately lacks credibility in this current environment of mistrust and cynicism.

"They are the same thing aren't they (government and industry)." Bristol 21-36yrs

Discussions around endorsements often result in consumers claiming to trust consumer opinion rather than the industry and the government which ultimately steers the conversation back to comparison websites, Martin Lewis and internet forums as being a more trustworthy and reliable source of endorsement.

"They would be self governing then wouldn't they...that wouldn't work...I'd be more inclined to buy something that had a consumer stamp (of approval) than an industry stamp." Manchester 37-60yrs

Guarantees are viewed as being very similar to endorsements. Although the idea of guarantees would reassure, some argue that these are already in place to some extent.

"Guarantee means refer to terms and conditions... so what?" Manchester 21-36yrs

The lack of enthusiasm derives from the fact that guarantees would not address the need for more transparency and clarity, which seems a more relevant and crucial issue. Trust is seen as something that would grow once transparency and increased clarity has been introduced and becomes standard.

Consumers (with the exception of those aged 55-67yrs) tend to respond negatively to the concept of paying more for a guarantee, with some who claim to being more cynical suspecting the concept would turn into a marketing opportunity rather than an effective solution.

“Why should you (pay more)? And guarantee of what? Pay extra and you can definitely trust us and we’ll send you a certificate of trust through the post in a manual. That to me is laughable.” Bristol 21-36yrs

6.5 Conclusions

This section will act as a summary of the findings, taking the feedback from the previous sections and assessing what solutions have the most potential for further exploration by HM Treasury.

In conclusion, selecting essential financial products generally even at the more basic level is considered to be time consuming, arduous and confusing. Many factors contribute to this complexity, including factors which are related to the product and also to the industry, with many acknowledging their own complicity in this unsatisfactory situation.

The research mirrors other research that GfK has carried out reflecting that a feeling of powerlessness is commonly felt and that more of a binding relationship tends to exist between the consumer and the provider in this industry. With existing customers who feel a reluctance to switch because of the hassle factor being at a disadvantage. Part of being disadvantaged is that existing customers feel vulnerable to receiving poorer deals than new customers and that by not wanting to switch they are not taking advantage of better deals on the market.

Much criticism is directed towards the financial industry for treating consumers unfairly. Resentment towards the Government is also felt for doing little to motivate the financial industry, particularly insurance companies to be more socially responsible.

There is an increased dependency on the Internet as a source of information, particularly comparison websites. As a key enabler comparison websites will continue to have an important role across life-stages, although mainly for less complex products. It is suggested that any potential solutions should be modelled on these sites which are celebrated for being user friendly and less intimidating than paper based alternatives and speeding up the process significantly.

Consumers would welcome a move towards simpler labelling and key features in unison for quicker sourcing of information and easier comparison. These are seen as potentially a quick fix which would make a significant difference to their experiences and perceptions of the industry. Solutions that focus on government or industry guarantees are less successful – undermined by the lack of trust currently felt towards the financial sector.

Appendices

Recruitment screener

Total Focus
(a wholly owned subsidiary of Total Research Services Limited)
First Floor, Quality House, 41 High Street, Sutton Coldfield, West
Midlands, B72 1UH
Tel: 0121 362 3700 **Fax: 0121 362 3701**

Field Controller: Sharon Pemberton
 Job Name: Project Interlagos
 Job No: GK/11-09/7800

Good afternoon/evening, my name is.....from GfK Financial, a global research company based in London. Could you spare a few minutes please?

A). We are carrying out a market research survey and are looking for people representing various occupations. Do you, or any members of your family or any of your close friends work in the following occupations, either now or in the past?

READ OUT AND CODE BELOW

1.1	YES	NO
1.1.1 ADVERTISING		1
1		
MARKET RESEARCH <i>(including Mystery Shopping)</i>	2	2
PUBLIC RELATIONS	3	3
JOURNALISM	4	4
MARKETING	5	5
 1.2 FINANCIAL SERVICES**	 6	 6
<i>(banks, building societies, finance companies, insurance companies etc)</i>		

**IT IS OF PARAMOUNT IMPORTANCE THAT THIS POINT IS MADE VERY CLEAR.
 THERE HAVE BEEN TOO MANY INSTANCES OF RESPONDENTS TELLING
 RESEARCH EXECUTIVES ABOUT THEIR FRIENDS/RELATIVES WHO WORK IN
 THE FINANCIAL SERVICES INDUSTRY AND CAUSING MAJOR

EMBARRASSMENT – WE MUST ENSURE THAT WE ASK THE QUESTION CLEARLY AND WITH EMPHASIS TO MAKE ABSOLUTELY SURE THAT NO ONE WITH ANY FINANCIAL SERVICES CONNECTIONS, HOWEVER TENUOUS, IS RECRUITED.

IF YES TO ANY OF THE ABOVE – THANK AND CLOSE INTERVIEW

B). Have you ever attended a market research group or depth discussion or participated in any surveys or mystery shopping?

	YES	1	GO
TO C			
	NO	2	GO
TO Q1			

C). How long ago did you attend a market research group or depth discussion / participate in a survey or mystery shopping?

	In the last 6 months	1	
CLOSE			
	6 – 12 months ago	2	
ASK D			
	12 months – 2 years ago	3	
ASK D			
	2 – 3 years ago	4	
ASK D			
	Over 3 years ago	5	
ASK D			

D). What was the subject matter?

.....IF ON A SIMILAR SUBJECT – THANK AND CLOSE

E). Research projects are often routinely audio and/or video taped. These tapes are only ever used for the purposes of market research and are destroyed at the conclusion of the project. Do you have objections to being audio/video taped?

	Yes	1	Close
	No	2	CONTINUE

If the project is to be audio/video recorded, you will be asked to sign a consent form at the venue

F). Method of recruitment?

FACE TO FACE TELEPHONE STREET DOOR TO DOOR

G). *Research projects are dependent on respondents having a longstanding relationship with UK brands and products. This can sometimes be an issue when recruiting respondents for projects, as the population nowadays can be far more transient. Therefore, can you tell me how long you have been permanently resident in the UK?*

<i>0 – 2 YEARS</i>	<i>1</i>	<i>Close</i>
<i>3 – 5 YEARS</i>	<i>2</i>	<i>CONTINUE</i>
<i>OVER 5 YEARS</i>	<i>3</i>	<i>CONTINUE</i>

1. We are looking to speak to a cross section of men & women with reference to their financial attitudes and expectations. Firstly can I ask whether you are the person within the household responsible for the selection and purchase of financial services products?

Yes, solely	1	SKIP to Q3
Yes, jointly	2	CONTINUE
No, not at all	3	Close

2. You say that you make financial decisions jointly. Are you active in these decisions or does your partner make most of the arrangements?

I am proactive in the decisions	1	CONTINUE
My partner makes the decisions	2	Close

3. Which type of financial products do you currently hold?

Current Account	1
Savings Account	2
ISA	3
Loan	4
Credit Card	5
Mortgage	6
Motor Insurance	7
Travel Insurance	8
Home Insurance	9
Investments	0
Other	A

Groups 1 & 2 (YOUNGER CONSUMERS):

ALL to CODE at least TWO CODES @ Q3, i.e. all to hold at least 2 different financial

products

Maximum of FIVE per group to CODE 1, 2, 4 &/or 5 @ Q3, i.e. maximum of 5 per

group to only have current account, savings account, loan &/or credit card @ Q3

At least SIX different CODES to be represented within each group

Groups 3, 4, 5, 6, 7, 8, 9 & 10:

ALL to CODE at least THREE CODES @ Q3, i.e. all to hold at least 3 different financial

products

At least NINE different CODES to be represented within each group

4. How often would you say that you receive advice from a financial advisor or broker?

Very frequently	1	Close
Quite often	2	Close
Now and again	3	MAXIMUM 2 PER GROUP
Not that often	4	CONTINUE
Never	5	CONTINUE

5. Which type of financial products...

- a. Have you bought / renewed within the last SIX month?
- b. Are you looking to purchase / renew within the next TWO months?
- c. Have you had a need of purchasing within the last THREE months, but for whatever reason haven't?

	a.	b.	c.
Current Account	1	1	1
Savings Account	2	2	2
ISA	3	3	3
Loan	4	4	4
Credit Card	5	5	5
Mortgage	6	6	6
Motor Insurance	7	7	7
Travel Insurance	8	8	8
Home Insurance	9	9	9
Investments	0	0	0
Pension	X	X	X
Other	A	A	A

ALL to CODE at least ONE CODE @ Q5a &/or Q5b, i.e. all have bought / renewed a

financial product within the last 6 months or are looking to purchase / renew a financial product within the next 2 months

MAXIMUM of THREE per group to solely CODE 7, 8 or 9 @ Q5a &/or Q5b, i.e.

maximum of THREE per group to solely have bought / renewed an insurance product within the last 6 months or are looking to purchase / renew an insurance product within the next 2 months

TARGET 2 to CODE any CODE @ Q5c, i.e. to have had a need of purchasing a

financial product, but just hasn't done so for one reason or another

6. Why did you not actually purchase these products?

<i>I forgot</i>	1
<i>I just ran out of time</i>	2
<i>I knew that the research into it was going to take me so long that I've been putting off actually starting to arrange it</i>	3
<i>I knew I'd have to go into the branch to sort it & I'm expecting the application process to be too long winded & laborious</i>	4
<i>The year has been so volatile that I was waiting for things to settle down</i>	5
<i>With the banking crisis, finding good interest rates & good offers has been really hard work</i>	6
<i>OTHER (please record) _____</i>	7

TARGET 2 maximum THREE to CODE 3, 4, 5, 6 or 7 @ Q6, i.e. all to have a reason for NOT buying the product other than forgetting or running out of time

7. Gender? (recruiter observation)

Male	1	HALF per group
Female	2	HALF per group

8. Please can I ask your currently working status?

Students	1
Part time working	2
Full time working	3
Retired	4
Living on benefits	5

Groups 1 & 2: Maximum of FIVE to CODE 1 @ Q8, i.e. max of 5 students per group

Groups 9 & 10: ALL to CODE 4 @ Q8, i.e. all to be retired

9. Please can I ask which of the following brackets your PERSONAL income falls into?

Less than £20,000	1	
£21,000 - £40,000	2	
£41,000 - £75,000	3	
£76,000 or more	4	Close

Groups 3 & 4: ALL to CODE 1 @ Q9, i.e. personal income of less than £20k

Groups 5 & 6: ALL to CODE 2 @ Q9, i.e. personal income of £21k-£40k

Groups 7 & 8: ALL to CODE 3 @ Q9, i.e. personal income of £41k-£75k

Groups 1, 2, 9 & 10: No quota

10. Please can I ask your age at your last birthday? (Record) ___ yrs old

17 years old or younger	1	Close
18-21 years old	2	Groups 1 & 2
21-36 years old	3	Groups 3, 5 & 7
37-60 years old	4	Groups 4, 6 & 8
55-67 years old	5	Groups 9 & 10
68 years old or older	6	Close

11. Please can I ask the occupation of the head of household? (Record)

ABC1C2DE 1 CONTINUE

Please ensure a good spread of social class within each group

12. Please can I ask your current family status?

No kids yet	1
Kids under 16 at home	2
Kids 16+ still at home	3
Kids now left home	4
Not had any kids	5

Please ensure a good spread of family status within each group

Discussion guide

Simple, transparent financial products (J155038)

Groups with Consumers - draft discussion guide 27/11/09

2 hours

Key objectives for the research:

- To understand the consumer view on retail financial products; specifically in terms of the initial presentation of these products, to what degree are they seen as complex/confusing/difficult to make a choice
- To understand and identify what elements of retail financial products is confusing (if this is the case) e.g. range of available product, terms and conditions etc.
- To understand the behavioural impacts of retail financial products being confusing (if this is the case)
- To identify the group of retail financial products that would be regarded as 'essentials' – those being products that serve the most basic and widespread needs
 - Within this product group, which products are regarded as more or less complex, and what contributes to their relative complexity
- To explore views on how products could be made easier to understand, from consumers' own suggestions and reviewing possible options e.g. traffic light labelling, kite-marks, key features info etc.

Pre-task – attendees have been asked to identify an example of a product that was clear and allowed them to make a choice with confidence, and an example of when they found a product confusing and made choosing difficult. This can be from any product field, not necessarily financial services.

1. INTRODUCTION TO THE RESEARCH (10 mins)

Thank respondent for participating, and explain the purpose of the research

Government is looking at how financial products are perceived by consumers. HM Treasury has commissioned this research with GfK NOP to allow us to understand the consumer point of view. We are speaking to a range of different people (ages, working status etc.) to see how people regard retail financial products and whether changes can be made to help people understand products better.

Also cover

- Format, discussion based, no right or wrong answers
- Confidentiality, MRS and data protection
- Audio recording of the discussion
- Reporting format, use of the information
- Where appropriate, client viewing

Attendees introductions (5 mins):

Covering

- Name, occupation, spare time interests etc.

2. CHOOSING THEIR RETAIL FINANCIAL PRODUCTS (20 mins)

They will have either purchased a specified product in the last 6 months, or intend purchasing in the next 2 months, or have looked to purchase but not because of problems with the purchase process

Moderator reminder – the research is focused on the experience of product choice, rather than operation. So our focus is on the initial contact with a product, in terms of assessing and choosing, rather than how easy or otherwise it is to operate over time.

Moderator to go round the circle and gather individual details:

- What was/is the product purchased/looking at/declined?

Moderator to confirm that for purposes of the discussion this evening we're looking at the kinds of everyday financial products they have mentioned.

Open out to group discussion:

- How did they find/are they finding looking at these financial products?
- What is the experience of looking like?
- What is the experience of choosing like?
- Do they find it easy? Difficult? Simple? Confusing?
- Do they think the information they got/used was clear? Easy to understand? Helpful in making the choice that was right for them?
- In the process they have experienced/are experiencing, what has been particularly helpful? What has been most unhelpful?
- How did they narrow down their choice of product e.g. from needing travel insurance to getting a single trip policy with Direct Line etc.?
- What were the key factors that influenced this decision?
- Ultimately how and why did they choose the product they chose? Or how will they choose and why that way? Or why didn't they purchase the product they needed/had been looking at?

3. RETAIL FINANCIAL PRODUCTS GENERALLY (15 mins)

Within this section we will ask consumers to think generally about the financial products they have taken over the last few years, not just the ones they have told us about so far

MODERATOR NOTE – HERE WE CAN REMIND PEOPLE OF THE PRE-TASK WE ASKED THEM TO THINK ABOUT AND REFER TO THIS IN THE DISCUSSION

- Compared to say purchasing a mobile phone, or a holiday, or choosing a utility provider, how would they describe purchasing a financial product?
 - Simple?
 - Easy?
 - Complicated?
 - Off-putting?
 - Clear?
 - Confusing?
 - Reassuring?
 - Worrying?
 - Etc.

- Is purchasing a financial product more difficult than purchasing other types of products? Or is it just the same?
- If more difficult, what makes it so?
- What does it share with buying other sorts of products?
- In what way is it different?

Moderator will begin to note down particular characteristics/contributing elements on cards

- In purchasing goods from different sectors as we've been discussing, would they say they've used/noticed any good ideas that help people make good choices? Are there any nice ideas out there that allow people like them to make good product choices?

[Look out for mention of online resources here/price comparison websites]

- Any use of price comparison websites? If so, what for and why? How did this help them in looking at financial products?
- Any use of impartial advice resources e.g. FSA Money Made Clear website

- What makes these systems/ideas/features so helpful to consumers? What do they provide? How do they do it?

- Are there any lessons to be learnt in how to tell consumers about financial products?

Review:

- Financial products confusing or not?
- What elements in the way financial products appear to consumers contribute to confusion/complexity? Any that contribute to simplicity/clarity?
- How do financial products compare with other types of products?

- Any lessons to be learnt? Any examples of good practice here?

4. BEHAVIOURAL IMPACTS (10 mins)

At this point we want to understand how this affects consumer behaviour in choosing financial products

- Going back to their own experience, how do they go about choosing a financial product?
- If they had to choose a new everyday financial product, what would they do? How would they go about it?
- Where would they look for information?
- Would they look for advice/guidance? If so where would they get this? Why?
- What channel do they prefer for getting information/advice – face-to-face, media, online etc. and why?
- Would they research alternative products, or not really?
- Would they research an individual product at length or would they choose quite quickly?
- How would they decide that product was the right one for them? How would they know?

- If they have found financial products to be confusing, what did they do? Do they think this changed their behaviour in choosing? Do they think they made a better or worse choice as a result?

5. "ESSENTIAL" FINANCIAL PRODUCTS (20 mins)

- We've been talking about financial products for a while now, we want to assemble a list of what we actually mean by

Essential products – those that serve the most widespread, basic and common needs

- What financial products would fit this description?

WE WANT TO ASSEMBLE THEIR SPONTANEOUS LIST FIRST, BEFORE TESTING OUT THOSE PRODUCTS THAT ARE IN SCOPE.

PRODUCTS WILL BE ON CARDS AND AS CONSUMERS MENTION THEM THEY WILL COME OUT/ON THE TABLE AND WHEN THEY HAVE COMPLETED WE WILL SEE IF THEY REGARD ANY OF THE REMAINING PRODUCTS AS ESSENTIAL

In research scope	Out of scope
<ul style="list-style-type: none"> • Mortgages • 2nd mortgages • Credit cards 	<ul style="list-style-type: none"> • Unsecured loans • Equity release • Investment products – equity ISAs, investment funds, stocks and shares

<ul style="list-style-type: none"> • Home insurance • Motor insurance • Travel insurance • Life insurance • Term assurance • Current accounts • Deposit savings accounts • Cash ISA • Private medical insurance • Critical illness insurance • Income protection insurance • Pre-paid payment cards • Personal pensions • Annuities • Payment protection insurance? 	<p>etc.</p>
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So we need to assemble and understand the list of Essential products

- What is this list?
- Why do these products qualify as Essentials?
- What qualities do they have?

- Within this list how would they arrange the products, from most complex to least complex?

- Why do they arrange the products in this way?

- What aspects of the complex products here make them complex?
 - Charges?
 - Small print?
 - Terms and conditions?
 - Other elements?

6. EVALUATION OF POSSIBLE SOLUTIONS (30 mins)

- If people are confused by these kinds of products at present, what could be done to help people understand the product and make the choice that was right for them?

- Do they have any ideas from the discussion so far, or from other things you buy, that could make financial products easier for consumers to evaluate and decide whether they were right for them?

Ideas to evaluate – printed on card

- Simpler labelling
 - Quality mark
 - Key features information
 - Endorsement – from industry? From government?
 - Guarantee – would have a higher price than other products that were not guaranteed
 - Basic product endorsed as meeting minimum requirements but less ‘frills’ than other comparable products
-
- What do they think of these ideas as possible ways of improving consumer choice for financial products?

Moderator to probe on:

- Understandability
- Impact
- Relevance
- Credibility
- Practical implementation
- Any negative consequences they see

7. FINAL THOUGHTS (10 mins)

- From what we’ve discussed this evening, what do they think are the two most important points to feed into the research results

THANK AND CLOSE