



Thoresen Review of Generic Financial Advice: call for evidence

1. Introduction

- 1.1 Age Concern England (the National Council on Ageing) brings together Age Concern organisations working at a local level and 100 national bodies, including charities, professional bodies and representational groups with an interest in older people and ageing issues. Through our national information line, which receives 170,000 telephone and postal enquiries a year, and the information services offered by local Age Concern organisations, we are in day to day contact with older people and their concerns.
- 1.2 We were pleased by the Government's decision to set up the Thoresen Review of generic financial advice, and welcome the opportunity to provide evidence. We have also responded to HM Treasury's consultation on financial capability, which provides a background to our evidence to the Thoresen Review, and which we are copying to the Review team.
- 1.3 While we are very pleased that the Government is taking a lead on financial capability, we are disappointed that older people are not prioritised for help. We have recently conducted research (published in our report *Making the money last*) which demonstrates older people's need for financial information and advice.
- 1.4 We see a spectrum of need, ranging from information through to advice, that does not necessarily fit into neat categories. We therefore believe that the supply of information, advice and educational initiatives should be

co-ordinated by a central organisation, set up as an independent body.

- 1.5 Although there should be a central co-ordinating body, the scope of the information and advice need is so broad that we think it should not attempt to deliver the whole service itself. Where possible, delivery should be delegated to specialist or local organisations, to serve the needs of different segments of the target market. The central co-ordinating body should be responsible for delivering a well-promoted national 'gateway' service, dealing with simple cases and referring to specialist or local organisations as necessary.
- 1.6 Funding should come from Government, with a contribution from the financial services industry. The bulk of funding should be routed through the central co-ordinating body. However, if the service is successful in stimulating financial awareness, it is also likely to stimulate demand for advice services from existing advice agencies. The funding available for these agencies must be increased; it could seriously jeopardise many valuable local services if all funding is sucked into the national service.

2. Summary and recommendations

A What is happening today, how and to whom?

- There is little formal infrastructure: apart from the regulated advice offered by the financial services industry, most generic advice is offered on a not-for-profit basis by bodies such as charities and advice agencies.
- Financial reviews from high street financial bodies appear to be limited in scope and sometimes oriented towards selling.
- As most people's needs for advice are likely to lie on a continuum between information and advice, we do not think it is particularly helpful to have a rigid definition of 'generic advice', except to say that it is any non-regulated advice.

- However both individuals and advisers will need to be clear of the scope of advice being offered. Individuals need to understand the limitations and benefits of generic advice.
- We recommend that the Thoresen Review establishes some key principles which a generic financial advice service should meet and have set out the principles that we regard as important.
- Any generic financial advice service should feed back lessons learnt to financial services companies and other advice agencies.
- The present infrastructure of advice and information services should link into any national service but is not adequate on its own.
- There is a need for a new, independent body to co-ordinate what is available, identify and fill any gaps in the provision of advice, and reduce any overlaps.
- Any new service should be independent of government and the Financial Services Authority.

B. What should the scope of a national approach to generic financial advice be?

- We support the Government's aim of serving those most vulnerable to the consequences of poor decision-making, provided this is applied irrespective of age.
- Signposting should be used to help people make best use of the commercial sector where appropriate.
- Different groups will require different approaches, but a central gateway consisting of a telephone service plus website should be supported by face-to-face advice through community-based agencies, outreach services for those in hard-to-reach groups, employment-based approaches, and work among advisers and key community figures to 'scale up' provision.
- The service should work alongside Government initiatives such as Opportunity Age and Link-Age Plus.

- The service should offer a basic financial healthcheck, and a gateway to advice on a wide range of 'money' topics, including reducing outgoings, tax and benefits, paying for care and specific advice relating to lifestage.
- The aim should be to deal with people's needs on a one-step basis, but where this is not possible referrals should be made to specialist agencies.
- The service should also help people manage existing financial assets. The Review should consider a 'do-it-yourself' factfind pack to support this process.
- The service should support decisions around personal accounts, by helping people to decide whether to remain in the scheme and how much to save, in what type of fund, and how to convert funds into income on retirement.
- More work needs to be done to decide how much responsibility the new service would take for advice on personal accounts, and how much to build on existing expertise in organisations such as The Pensions Advisory Service (TPAS).
- The regulatory boundary is confusing and this restricts the availability of advice. But wherever the boundary is drawn, there should be clear and binding guidance on what advice agencies can and cannot do.
- We recommend that the Review considers a web-based decision tree to help advice agencies decide whether they risk breaching the regulatory boundary.
- People who need regulated advice should be referred to a whole-of-market adviser through a 'find-an-adviser' service, provided that the service meets certain standards.
- If referrals are made to an online price comparison site, the site should be required to meet minimum standards, including offering telephone access and sending hard copy tables to those without internet access.
- There is likely to be a considerable knock-on effect on the not-for-profit sector, through referrals to existing

agencies, and they will need to be adequately funded.

- Advisers will need to be trained, rather than relying solely on a script. Training should be based around the National Occupational Standards for generic financial advice, but to deal with short-term supply shortages we would like to see a network of fully-qualified advisers involved in training and mentoring new advisers.
- A national generic advice service will be nothing more than yet another helpline if it fails to involve existing agencies, and if existing agencies do not have the necessary funds to play their part.

C. Cost and funding

- The generic advice service should be free at the point of delivery. We do not believe there is evidence to support charging.
- The benefits of public funding can be quantified through reduced outgoings and increased income to individuals, but also through benefits such as improved well-being and reduced ill-health.
- Funding should be shared between government and the financial services industry. The financial services industry will benefit because the service is likely to stimulate demand for their products, and companies may also want to refer clients.
- It may be appropriate for the national service to have a role in passing funding through to those bodies to which it makes referrals.
- The impact of new legislation and policy on the service should be costed and the extra costs passed on to the advice service from the relevant government department.

D. How can potential users be engaged?

- Encouraging take-up is important and this is covered further in our response to HM Treasury's consultation on its long-term approach to financial capability.

- A major marketing effort to establish the service should be built into its costings.
- Substantial funding should be put aside for outreach services.
- A generic advice service should be given time to work and funded for a minimum length of time.

E. What should the governance arrangements look like?

- We recommend that the service should be set up as an independent body, such as a charity.
- The new body should co-ordinate with existing agencies, passing on best practice, making referrals, and possibly passing on funding to bodies to which it makes referrals.
- Contributions could be raised from the financial services industry through the FSA. Government funding should be raised from those departments whose policy is likely to affect demand for advice.

Operational issues – Age Concern’s services

- Age Concern England runs a free national telephone information service, the Age Concern Information Line (ACIL).
- Free information and advice is also available through the nearly 400 independent charities that are members of the Age Concern federation.
- In addition, information and advice is available through specific projects, for example a new Age Concern project called Money Trail.
- ACIL is a telephone service, but local Age Concerns offer information and advice either face-to-face or over the telephone.
- ACIL is core funded by Age Concern England, while federation members may receive project funding, core funding from various sources, or be run on a volunteer basis. However there is a considerable funding shortfall.
- The target market for ACIL is people aged 60+ but many calls are from friends and family.

- ACIL is a three-tier service, with Level 1 being a call centre service using a flowchart and keywords to identify the key issues and suitable written material, Level 2 employing generalist advisers with 3 months' training to handle calls that cannot be handled at Level 1, or dealing with previous callers, and Level 3 dealing with complex enquiries, writing materials, and providing support to information and advice workers at local Age Concerns.
- Average call duration at ACIL Level 1 is 2-3 minutes, and 8-9 minutes at level 2. There is a lack of capacity at Level 2.
- ACIL holds the CLS Quality Mark. Federation members are required to work within the Age Concern 'Quality Counts' framework and may hold various quality marks.
- The Age Concern England website has an average of 120,000 unique visitors a month, and an average of 90,000 documents (mostly factsheets) are downloaded each month.
- Age Concern England carries out regular customer satisfaction surveys, as well as reviewing service level data. 92% of callers to ACIL Level 2 acted on the information.

3. Strategic issues

A What is happening today, how and to whom?

AS1 What generic financial advice services are you aware of?

AS2 For the services in AS1 please give some information on structure

3.1 Our report *Making the money last* includes information about financial information and advice services offered by Age Concern. In particular, we will shortly launch *Money Trail* (previously known as Money Tree), an interactive resource to help people plan for their retirement.

3.2 We are also sending, under separate cover, an internal briefing document that was compiled during 2006. This concentrates on what is available for older people, but includes a directory of initiatives that we were aware of at the time. There is little in the way of formal infrastructure, apart from what is offered by the financial services industry. However, financial information and advice may be available from:

- Not-for-profit charities and advice agencies, such as those bodies that are members or associates of the Advice Services Alliance (this includes Age Concern). These cover a range from housing advice, welfare rights and debt advice, employment and disability issues (see www.asauk.org.uk for a list of members and associates).
- Regulators, primarily the Financial Services Authority, trading standards departments and their related websites and helplines (such as Consumer Direct for matters within the remit of the Office of Fair Trading).
- Mutual organisations, particularly the credit union movement.
- Housing organisations, such as social landlords.
- The educational programmes funded by the financial services industry.

3.2 High street banks also offer 'financial reviews' or 'health checks' to its customers. However, mystery shopping by the Financial Services Consumer Panel¹ found that in practice many branch staff were not fully aware of the services offered by the bank, and less than half of the researchers actually received a full financial review, instead receiving types of limited service. An IFA who assessed the reviews commented that although the shoppers were looking for help and guidance for their overall financial needs, 'because the most suitable contract from the wider range of options would provide little or no revenue to the adviser, then no advice was given'.

AS3 What is the most appropriate way of describing generic financial advice?

3.3 As stated above, we think that except for legally-defined regulated financial advice, it is very difficult to draw a clear line between information and advice and in practice most people's needs for information and advice are likely to lie somewhere on a continuum, and vary from time to time and from subject to subject. In practice, people may see any information that is communicated to them by an individual as 'advice', as distinct from personalised information (such as a pension forecast). For this reason, we do not think it is particularly helpful to have a rigid definition of 'generic financial advice', except to say that it is any information and advice that is not regulated. As a result, we are content with the working definition as described on page 4 of the call for evidence.

3.4 Although advice is normally seen as being person-to-person, either face to face, over the phone, or by correspondence, we think that web-based interactive models could be explored for some groups, provided that further individual support is available if necessary.

3.5 It will be important to brand any service with a name that means something both to individuals and to advisers. Advisers, in particular, will need to be clear about what the service offers, as 'money advice' may mean different things to different groups, for example, to people working in the not-for-profit sector it may mean advice on debt or state

¹ Financial Services Consumer Panel, *Financial reviews*, February 2004

benefits, whereas financial advisers may think in terms of insurance, pensions and investments.

3.6 In addition it is essential that individuals receiving advice are very clear of the difference between generic advice and regulated advice, and understand the limitations and benefits of receiving generic advice.

3.7 We think it would be useful for the Thoresen Review to establish some key principles which a generic financial advice service should meet. As a starting point, we believe that the service should:

- Have a duty to act in the best interests of its users, and be driven by their needs
- Be properly publicised and fully accessible
- Meet agreed quality standards
- Be independent and impartial, with safeguards to manage any conflict of interest from funding sources
- Be free to the user, and have adequate funding
- Link into a full network of advice and information, providing support to intermediaries such as front-line agencies and referring clients on to other sources of support if necessary
- Be integrated into preventative strategies
- Be free to raise wider issues arising from its work
- Be regularly reviewed.

3.8 The wider issues the service raises could be very helpful in improving standards in the commercial sector. We would like to see it feeding back lessons learnt to financial services companies and other advice agencies, to create a 'virtuous circle' of improvement (see BS2 below).

AS4 Are there examples from overseas which offer good models?

3.9 The *Causes of action* research for the Legal Services Commission² found that the more people are referred on to other services, the less likely they are to act on the referral (so-called 'referral fatigue'). They suggest that something like the 2-1-1 and 3-1-1 information and referral numbers being developed in North America (see www.211.org) could be explored. These services connect individuals with services in their local community.

AS5 What academic and other research should the review be aware of?

3.10 See our internal briefing document sent under separate cover.

AS6 Do you consider the current infrastructure could deliver generic financial advice?

3.11 The current infrastructure of advice and information services should link into any national service, but is not adequate on its own. As stated in section 6 of our response to the Treasury consultation, we think there is a need for a new, independent body to co-ordinate what is available, identify and fill any gaps in the provision of advice and to reduce any overlaps. This should work with existing providers as far as possible, but also deliver a national telephone advice service, supported by a website, as an access gateway.

3.12 We note the recommendation of the Varney Review that Directgov.uk should provide a primary electronic channel for citizens. However, we think that the strong link with government will be a disincentive for customers to use this delivery channel as a way of accessing advice. Our research report *Making the money last* found strong negative views towards government in relation to some key money issues. We believe that any new 'gateway' should be independent from government.

B What should the scope of a national approach to generic financial advice be?

² Legal Services Research Centre, *Causes of action: civil law and social justice*, 2007

BS1 Who should generic advice aim to serve?

3.13 We support the Government's aim of serving 'those most vulnerable to the consequences of poor decision-making', provided that this needs-based approach is applied irrespective of age. It should include those largely dependent on state benefits, since in many cases these are exactly the people who might need help, on for example, reducing utility bills, or with bank accounts. However, it should also include the many older people who have modest amounts of private resources, as our research in *Making the money last* showed that even pensioners on middle incomes are living with a strong sense of financial strain.

BS2 Are there groups it should not aim to serve?

3.14 The experience of existing initiatives suggests that the difficulty will lie in encouraging take-up, not in rationing it. There may be higher-income individuals who use the service, but we think it should be possible to signpost people to the commercial sector where appropriate. Part of the aim of the service should be to help people get best value out of the commercial sector, and to encourage the financial services industry to be more competitive.

BS3 Reaching the target market

3.15 In terms of delivery, we believe that different groups will require different approaches, but that a central 'gateway' consisting of a telephone service plus website will be an effective means of reaching the majority of those in the target market. This needs to be supported by:

- Face to face information and advice through community-based advice agencies, such as Age Concern
- Outreach services for those in hard-to-reach groups, for example using the models piloted by the Legal Services Commission³

³ Legal Services Research Centre, *Putting money advice where the need is; evaluating the potential for advice provision in different outreach locations*, 2007

- Work among advisers and key community figures to explain what is available and ensure that they are in a position to support or direct their clients
 - Employment-based delivery models.
- 3.16 In addition, the service should work alongside Government initiatives such as the Savings Gateway, Child Trust Fund, programmes such as Opportunity Age and Link-Age Plus, and Government employment initiatives.

BS4 What should be the content of generic financial advice?

- 3.17 We would like to see the service covering the topics listed in the Table on page 13 below. This covers a broad range, including help with reducing outgoings, tax and benefits and paying for care. Note that two areas which are not listed but where a demand might also arise could be the non-financial aspects of housing, and civil law problems.
- 3.18 A wider question is the 'breadth' and 'depth' of advice given. In terms of breadth, the service should offer a basic financial healthcheck, along the lines of the financial healthcheck developed by the BBC and the FSA, as a way of diagnosing what further help might be needed. However, a 'gateway' advice service covering a wide range of topics will be limited in the depth of advice it can give. It will need to consider the cost of giving any further advice required, and whether there is an alternative source of advice.
- 3.19 The service will need to stop before the point of making a specific recommendation of a particular company, in order to avoid the considerable costs of making a recommendation (and, for regulated products, stepping over the regulatory boundary).
- 3.20 However, where a more specialist agency exists it might be more appropriate to refer people on. Where no specialist advice agency exists, depending on the level of demand it might be necessary for the advice service either to give more detailed advice itself or to press for a specialist agency to be set up. For example, the Institute for Public Policy Research has identified a need for a specialist

generic financial advice agency for older people, particularly for those considering equity release.⁴

- 3.21 A particularly important aspect of the service should be to help people manage their existing financial assets. In our *Making the money last* research several respondents stressed the value of organising their papers. We recommend that the Thoresen Review explores the possibility of a factfind pack that could be used to support this process. This would also be helpful if someone goes on to take regulated advice.

⁴ Institute for Public Policy Research, *Housing wealth: first timers to old timers*, 2006

Topic	Possible referral body
Bank accounts and new methods of money transmission	General money advice agency
Budgeting and how to handle credit	General money advice agency
Dealing with debt	Debt advice agency
Mortgages	'Find an adviser' facility for access to IFA
Reducing outgoings – in particular utility bills, mortgages, insurance	Online price comparison site Consumer Direct
Shopping around – general skills	Online price comparison site
State benefits	DWP, general money advice agency
Personal tax (cases involving small business taxation can be referred to BusinessLink)	HMRC TaxAid, TaxHelp for Older people
Saving, and where to go for investment advice	FSA helpline/website 'Find an adviser' facility for access to IFA Online price comparison site
Protecting your family and your assets – e.g. life, car, house, and travel insurance	Online price comparison site 'Find an adviser' facility for access to IFA
Planning for retirement	The Pensions Advisory Service (TPAS) for pension issues: Age Concern Money Trail, FSA, 'Find an adviser' facility for access to IFA
Paying for care	Age Concern, other advice agencies 'Find an adviser' facility for access to accredited 'Later life adviser' (the Financial Services Skills Council is developing an accreditation scheme)
Sorting out your affairs (e.g. making a will, powers of attorney)	General money advice agency solicitor referral body;
Equity release	'Find an adviser' facility for access to IFA Need for specialist facility for those looking for small amounts, or who need logistical help
Protecting your identity	ID theft support centre (as proposed by the National Consumer Council)
Specific advice relating to lifestage – e.g. young adults, new parents, first-time homebuyers, pre-retirement, retirement, bereavement, later life planning	Specialist advice agency or IFA; FSA
Dealing with problems and complaints	Relevant Ombudsman scheme, specialist agency (e.g. TPAS) Advice services with CLS contracts

- 3.22 We believe that the development of a generic advice service will be particularly important to help people plan for retirement including decisions around the personal accounts due to start in 2012. We expect the Personal Account Board to provide good written and web-based information and to promote the scheme but we see a generic advice service as necessary to: help people decide whether to remain in the scheme and if so how much to save and which funds to choose as well as decisions about converting the fund into income on retirement. The aim with personal accounts is that people will not need regulated advice. However some with low or fluctuating incomes and little previous savings could be at risk of gaining little from saving or may at some periods be better off using money differently, for example repaying debts or making short-term savings. Generic advice can tailor appropriate information and advice to people's circumstances and life stages. For example those approaching retirement when the scheme is introduced will need to consider different factors to those just starting out in work. And women (and men) with caring responsibilities may need advice around saving that takes into account fluctuating earnings and periods out of the labour market.
- 3.23 While it is important that such a service is provided for decisions around personal accounts, we believe that more work is needed to decide how detailed the advice of the national service should be, and the stage at which referrals should be made to a specialist agency, such as The Pensions Advisory Service (TPAS), in order to make best use of expertise already in TPAS.

BS5 The regulatory boundary

- 3.24 The regulatory boundary is widely misunderstood, and this misunderstanding acts as a brake on advice-giving. We come across two areas of misunderstanding:
- people assume that the need for advisers to be authorised applies to all financial products, not just regulated ones
 - people assume that regulated advice includes general advice, rather than a recommendation to buy or sell a particular regulated product.

- 3.25 Even without the confusion over the regulatory boundary, there will still be some confusion and reluctance to advise, because of fears that people will be misled and because of the risk of breaching the conditions of liability insurance.
- 3.26 The FSA proposed⁵ that generic advice should cover identifying product types, but not recommending them. This is a very fine distinction - in practice many people are likely to see an identification of product types as being tantamount to a recommendation. It could also prove quite restricting for non-regulated products: for example, Age Concern information and advice workers sometimes come across older people keeping large amounts of cash at home and this proposal would deter them from recommending that they put it in a savings account (even though doing so would not, as we understand it, breach the regulatory boundary).
- 3.27 Wherever the boundary is drawn, if government wishes to involve non-for-profit advice agencies in any generic advice service it needs to give them clear and binding guidance on what they can and cannot do, and a safe harbour if the guidance is followed. We recommend that the Thoresen review explores the possibility of a web-based decision tree which advice agencies can use to help them decide when their services are in danger of breaching the regulatory boundary. An analogy is HM Revenue & Customs' 'Employment status indicator' that individuals and contractors can use to determine employment status for tax purposes (www.hmrc.gov.uk/calcs/esi.htm).

BS6 What organisations and services should or could be expected to refer people?

- 3.28 This will depend on the eventual scope of the service but could include advice agencies for matters outside their remit, social services, health workers, community leaders and so on. We believe that it will be important to promote the service to such people.

⁵ Financial Services Authority, *Financial capability: developing the role of generic advice*, August 2005

3.29 It is possible, too, that financial services companies might wish to refer individuals in particular situations outside their area of expertise.

BS7 Where should be people be referred to after receiving generic advice?

3.30 The work of the Legal Services Commission (see AS4 above) suggests that, to avoid 'referral fatigue', the aim should be to give people the advice they need at outset. Where this is not possible, we have listed some examples of 'referral routes' in the Table above, but this has various implications as described below.

Referrals to commercial providers

3.31 People who need regulated advice should be referred to professional advisers, but in order to meet its duty of care, we believe that the service should recommend that individuals use only whole-of-market advisers. Rather than passing 'leads' directly, we think the service could guide people in using one of the 'find-an-adviser' services now available online or over the telephone. However, these services vary and the service should require them to meet certain standards before referring people to them – for example, verifying that advisers have the qualifications they say they do, and showing whether whole-of-market advice is offered.

3.32 The process of referral might be made much easier for both client and adviser if the client is encouraged to gather the necessary information for any factfind – see our proposal at BS4 above.

Referrals to online price comparison sites

3.33 Once a need for a particular product has been identified – such as cheaper insurance, say – it might also be useful to refer a client to one of the online product comparison sites, such as the FSA site. However, those people who are most likely to need this help, particularly older people, are also the least likely to have access to the internet. We would like any comparison schemes to which clients are referred to be accessible by telephone and to be required to print off and post the relevant table to those without internet access.

3.34 To ensure minimum standards at sites to which clients are referred, they could be required to comply with a code of practice. We note that energywatch refers enquirers to sites which comply with its 'Confidence Code'.

Referrals to other advice agencies

3.35 As stated above, we think that it will be essential to involve other advice agencies and again, a national service should consider setting minimum standards for the agencies to which it refers clients.

3.36 However, such referrals may have considerable knock-on effects on the not-for-profit sector, and they will need adequate funding. Anecdotal evidence indicates increasing difficulties for generalist advice agencies in securing stable long-term funding, and see paragraph AO4 for details of funding shortfalls in Age Concern information and advice services.

BS8 What qualifications/training do generic financial advisers need and where could advisers be sourced from?

3.37 We believe that generic financial advisers should be trained, rather than relying solely on a script-based approach. Information and Advice services frequently find that the enquiry a client initially presents may not in fact be their most pressing problem and advisers need to have the skill and knowledge to identify needs and deal with these, or refer on, appropriate. The generalist advisers at Level 2 of the Age Concern Information Line receive 3 months training before they are allowed to handle calls unsupervised (see our response to question BO9).

3.38 Any training should be based around the National Occupational Standards for generic financial advice. However, in the short term, finding an adequate supply of suitably-qualified advisers is likely to be challenging. We would like to see a network of fully-qualified financial advisers (paid or pro bono) running 'clinics' and perhaps involved in training and mentoring new advisers. An equivalent would be the tax volunteers of TaxHelp for Older People.

BS9 What are the legal implications of giving generic financial advice?

3.39 We are not in a position to answer this but see our comments at BS5 above.

BS10 The effect on advice providers

3.40 See our comments at BS7 above. We reiterate our view that the effect on not-for-profit and charitable advice agencies could be significant, both in terms of demand and in terms of meeting minimum standards. A national generic financial scheme will be nothing more than yet another telephone helpline and website if it fails to involve existing agencies, and if existing agencies do not have the necessary funds to play their part. As stated above it will also be important to ensure that gaps in existing provision are identified and steps taken to fill these. This could relate to the types of services available or ensuring that these are tailored appropriately to different sections of the population which could relate to gender, ethnicity or life stage.

C Cost and funding

CS1 To what extent should generic financial advice be free at the point of delivery?

3.41 The generic advice service should be free at the point of delivery. Those 'most vulnerable to the consequences of poor financial decisions' are unlikely to be able to afford to pay much, and charging even a token amount is likely to depress take-up to such an extent that the scheme fails to meet its aims. A 'means-tested' approach, along the lines of the Legal Aid fund, will be costly to administer and again – on the evidence of low take-up of means-tested benefits – is likely to depress demand amongst those who most need advice.

CS2 Is there any evidence that supports a commercial case for a generic financial advice service?

- 3.42 We assume that this question is asking whether there is a case for charging users. We do not believe there is. The current model of financial advice funded by product commission has accustomed consumers to 'free' financial advice. Although fee-paying advisers are increasing in number, they generally still serve a limited market of higher-income people. Against this backdrop, there appears to be no evidence to support a commercial case for generic financial advice. Indeed, consumer research by FSA in 2002⁶ found that the average they would expect to pay for advice, if a financial product is not bought, would be £60 – considerably less than the probable cost. The availability of 'free' information on the internet, including online price comparison sites funded by advertising, also makes it increasingly unlikely that all but a few would be prepared to pay for advice.
- 3.43 It might be argued that the service should be funded by passing 'leads' to financial companies. We would not support such a system, as it would undermine the impartial nature of the advice.

CS3 How can the wider benefits of generic financial advice be quantified?

- 3.44 The work of the Resolution Foundation⁷ shows the potential savings to the public purse in terms of savings on means-tested benefits. In addition to benefit savings, some examples of potential benefits to individual older people might include:
- cost savings on outgoings – for example, 12% of people who switched gas and electricity suppliers through uSwitch.com in February 2007 saved £325 a year.⁸
 - better annuity rates on retiring – for example, some people may be able to improve their annuity rate by as much as 30%.⁹
 - better interest rates on savings.

⁶ Financial Services Authority, *Polarisation: Consumer Research*, January 2002

⁷ Resolution Foundation, *A national dividend; the economic impact of financial advice*, September 2006

⁸ uSwitch.com website

⁹ HM Treasury, *The annuities market*, December 2006

- the reduction in financial abuse if vulnerable older people have an impartial source of help. In 471 incidents analysed by the charity Action on Elder Abuse¹⁰, a minimum of £2 million in cash was reported as stolen or coerced from older people, with an additional eighteen houses also being sold or taken without consent.
- avoiding the costs of receivership by setting up appropriate powers of attorney – our report *Making the money last* found that receivership had cost one family £2,000.
- better choices of equity release scheme – the work of the Financial Services Consumer Panel showed that the effective interest rate on releasing £50,000 on a £250,000 house over 20 years could vary from 6.42% to 9.05%¹¹.

3.45 In addition to this sort of quantifiable cost saving, we would add less easily quantified benefits. Our report *Making the money last* shows that older people take a pride in being able to cope financially, and that this is likely to contribute to improved well-being and a reduction in the costs of ill health. Secondary research commissioned by Age Concern into the English and Welsh Civil and Social Justice Survey¹² found that those over 50 were more likely to suffer physical ill health as a result of experiencing civil law problems (20% compared to 14% of under 50s experiencing problems). At the extreme, maintaining financial ‘good health’ may reduce the likelihood of having to seek residential care.

CS4 What factors should be taken into account in deciding how to split the costs between stakeholders?

3.46 We see potential funding sources as being Government, the financial services industry (through FSA fees) and the financial services industry (through its corporate social responsibility agenda and through pro bono services). We believe that it is appropriate for the financial services industry to bear some of the cost because the service is likely to stimulate demand for financial products and

¹⁰ Action on Elder Abuse press release, 30 January 2007.

¹¹ Financial Services Consumer Panel press release, 3 December 2006.

¹² Legal Services Research Centre, *Causes of action – civil law and social justice*, 2006

professional advice. Financial advisers may also want to refer clients to the service, particularly clients who are unlikely to buy a commission-paying product.

- 3.47 A separate question is how the industry should contribute. It would be simplest for FSA to continue to have fee-raising powers in relation to financial capability, but passing on funds to the national advice service. However, much greater funds are likely to be needed than FSA currently raises for financial capability, particularly in the short-term, and we think it would be appropriate for Government to bear the set-up costs and to commit itself to an adequate level of core funding.
- 3.48 It should be noted that existing advice agencies will end up bearing part of the cost in terms of dealing with referrals. The costing for the national service needs to include explicit funding for such agencies, taking into account the potential extra costs for those agencies serving disadvantaged groups, who are often hard to reach.
- 3.49 Going forward, new legislation and policy should be assessed for its impact on the service. The additional costs should be incorporated into departmental spending and passed on to the advice service. In particular, the impact on existing advice agencies needs to be taken into account.

CS5 How can the 'generic' element of existing regulated advice processes be costed?

- 3.50 We are not convinced of the need or desirability of costing these services separately. As the Financial Services Consumer Panel research into Financial Reviews showed, in practice the 'generic' element of some commercial advice services may be close to selling, or be regarded as part of the wider marketing budget.
- 3.51 The one 'generic' aspect of regulated advice that we believe could be explored as a separate service is the preparation of a factfind, as stated in our response to

question BS4 above. We understand that preparing a factfind can take two to two and a half hours¹³.

D. How can potential users be engaged?

DS1 How can consumers be encouraged to improve their financial capability?

DS2 Are there campaigns that have effected analogous behavioural change?

DS3 What would an attractive brand for a generic financial advice service look like?

DS4 Is there evidence on which engagement mechanism is likely to work best overall and with different segments of the target population.

3.52 This is covered under 'encouraging take-up' in section 4 of our response to the Treasury consultation.

3.53 Different methods of promotion are likely to be needed for different segments of the target market, and user testing will be needed to establish the most effective methods for each market. However, the branding should incorporate lessons learnt during the 'Now let's talk money' campaign and from FSA's various financial capability initiatives (such as its Moneymadeclear campaign). However, different approaches are likely to be needed for different segments of the target market.

3.54 The experience of the 'Sorted' website in New Zealand suggests that a major marketing effort will be needed to establish the service initially, and this should be built into its funding. We also point to the experience of the Financial Services Authority in trying to encourage consumers to engage with the pensions review. A press, TV and radio advertising campaign was used to reach consumers, and this had a significant impact¹⁴.

¹³ House of Commons Treasury Committee, *Financial inclusion: the roles of the Government and the FSA, and financial capability*, November 2006

¹⁴ Financial Services Authority, *Pensions Review Phase 2: report on the production and outcome of the advertising campaign*, August 1999

DS5 For face-to-face advice, are there particular locations that would be attractive?

3.55 A substantial proportion of the funding should be put aside for outreach services, using the lessons learnt during the Legal Services Commission's money advice pilots.

DS6 Do you believe a new generic advice provision would lead to a change in consumer behaviour?

3.56 The research evidence, and the experience of some Age Concern projects, suggests that generic advice could lead to a change in behaviour. However this is likely to be a long-term process and as a result we believe that the service must be funded to run for a minimum length of time. It may be that, to start with, people approach it as a result of a 'trigger point' (see paragraph 5.6 of our response to the Treasury consultation), but that once they feel in control of that problem the availability of the service encourages them to explore other areas of their finances. The service should therefore consider including some means of progressing from the immediate need to a wider review of an individual's finances – for example, following a call a fulfilment pack including tips and a factfind pack might be offered.

E What should the governance arrangements look like?

ES1 What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service?

3.57 We believe a new independent body, such as a charity, would be the most suitable structure, operating a similar way to the Personal Finance Education Group. This would ensure that it is seen as independent and impartial. The new body would be responsible for delivering the main 'gateway' service, at national level, but would also be responsible for co-ordinating delivery through existing advice agencies at a regional or specialist level.

ES2 How should any generic financial advice service be made accountable?

3.58 A charitable body would be accountable under charity law. It would also be accountable to its funding bodies. In addition, we suggest that it is supported by an advisory group of key stakeholders.

ES3 What should the relationship be between any new delivery body and existing services?

3.59 As stated above, we believe that the new body should have a co-ordinating role, passing on best practice and setting standards, and making referrals. It may also be appropriate for it to have a role in passing funding through to those bodies to which it makes referrals. A decision would also need to be made about the extent to which the new body develops its own materials, or uses those of others, to avoid overlaps and increase efficiency.

ES4 What mechanism should be used to collect and distribute any potential financial contributions?

3.60 As stated above, contributions could be raised from the financial services industry through the FSA, and passed through to the wider network of advice agencies through the new body. Government funding should be raised from those departments whose legislation and policy is likely to affect the demand for generic financial advice, and channelled through the Treasury. However, the potential impact on existing advice agencies could be significant, if this reduces their sources of funding, and the new body should be required to pass a minimum amount of funding through to the wider network.

3.61 HM Treasury's consultation document on Unclaimed Assets suggests that this might be a source of funding, and again these funds could be channelled through the new body.

4. Operational issues – Age Concern's experience in this market

AO1. What advice service are you or your organisation responsible for delivering (this need not be generic financial advice)?

4.1 Age Concern has the following types of advice service:

- Information and advice work carried out by members of the Age Concern federation at local level, and co-ordinated through the federation's Information & Advice Partnership.
- Age Concern England's national telephone information service, the Age Concern Information Line (ACIL). This is supported by Age Concern and Heyday factsheets and other resources, which are also available on the ACE and Heyday websites and distributed through federation members.
- AIMS – the *Age Concern Advice Information and Mediation Service* for users and providers of sheltered and retirement housing. It provides impartial information, advice and mediation to assist in the resolution and prevention of disputes in retirement and sheltered housing. The service is free to residents. Core funding comes from Age Concern England, supplemented by a subscription service for landlords and income from running training courses and conferences. Non-member landlords are charged for mediation. AIMS receives around 1,000 calls a year, most of which results in casework.
- Projects run by the Age Concern England ActivAge Unit to enhance the quality of life as people age, and in particular health promotion, digital inclusion, intergenerational work and volunteering. This includes the annual Silver Surfers campaign, run jointly with Digital Unite Ltd. In 2006 Silver Surfers Week reached 17,000 older people through free internet and computer 'taster' sessions. See www.silversurfer.org.uk.
- Specific projects and programmes delivered through local Age Concerns, sometimes initiated and funded through Age Concern England (such as Age Concern England's Money Tree project, now known as Money

Trail), and sometimes initiated and funded independently (such as Age Concern Norfolk's Money Matters project).

- 4.2 The information and advice work carried on through federation members, and ACIL, is ongoing and details are given below. Other projects depend on the availability of funding and usually run for a limited period. Examples of relevant projects (including Money Trail) are given in our report *Making the money last*.
- 4.3 Note that as federation members are independent charities, only limited information is available on the details of their information and advice services, although they work within the Age Concern 'Quality counts' framework. As a minimum, federation members are required to provide a signposting service to sources of information and advice, although many offer advice services themselves.

Money Trail

The MoneyTrail Project is one of a range of projects being developed by Age Concern England to pilot new ways of prompting the average older worker to plan for their retirement. Funding for the project comes from the Department for Work and Pensions 'Pensions Education Fund', and from Legal & General.

MoneyTrail is interactive software in the form of a decision tree. It aims to help people plan for their retirement and make informed choices that lead to a more satisfactory income in retirement. The programme is targeted at women in their fifties (although the content will be applicable to men and younger people too) who are in employment and on relatively low wages.

MoneyTrail will be launched in May 2007, and piloted by six local Age Concerns, with some staff of Legal & General, and on the Heyday website (Heyday is the new membership organisation backed by Age Concern).

AO2. How is your advice delivered (e.g. face-to-face, web-based or telephone)?

- 4.4 Information and advice provided by local Age Concerns may be provided face-to-face (either on Age Concern premises or in the client's home) or over the telephone.
- 4.5 ACIL is a telephone and postal service but it refers people to local Age Concerns and other agencies for face to face advice where necessary. Age Concern also produces a wide range of written and web based information.

AO3. What is the legal, organisational and governance structure of your service?

- 4.6 Age Concern England is a national charity. Other members of the Age Concern federation are all independent and autonomous charities, working within a quality framework.
- 4.7 Federation Members have completed an Application Form, submitted a Statement of Practice and Intention, signed the Memorandum of Adherence; and signed the Licensing Agreement for the use of the Age Concern brand.
- 4.8 As of November 2006 there were:
- 221 Age Concern Groups (including Age Concern España)
 - 136 Age Concern Organisations
 - 4 national Age Concerns: Age Concern England, Age Concern Cymru, Age Concern Scotland and Age Concern Northern Ireland.

AO4. How is your service funded?

- 4.9 ACIL receives core funding from Age Concern England.
- 4.10 Federation members' information and advice services may be project funded, receive core funding from various sources, or be run on a volunteer basis. However, there is a considerable shortfall. In 2006 the Age Concern federation Information and Advice Partnership conducted a national survey of local Age Concerns, which found of its current I&A posts, funding for 28% was due to end in 2006, 18% in 2007 and 9% in 2008. Many posts are funded through time-limited central government funding streams and overall, the

funding shortfall across all Age Concern services is estimated to be at least £5 million annually.

AO5. How did you identify your customer and their needs?

- 4.11 Age Concern England uses internal and external research to understand its client group, and also consults local Age Concerns and other partners.
- 4.12 ACIL was set up in 1998. The need was identified because of the volume of calls to the Information and Policy Unit, which originally handled them.

BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?

- 4.13 The target market for ACIL is people aged 60+ because that is the age at which the benefits available change. In practice, many calls are from families and friends, professionals, social workers and so on. The volume of calls from friends and family reflects the fact that paying for care is one of the most common questions.
- 4.14 The aim is to reach lower-income individuals, and although nobody is turned away, ACIL is promoted through media that serve lower-income groups. Our demographic analysis shows that 80% of our Level 1 callers are likely to be over 55, and half over 65; half are retired. Slightly more than half are women, and two-thirds are married. A quarter are from the South-East, and three-quarters are home-owners.

BO2. How many people use your service per annum? What sorts of questions do they ask?

- 4.15 ACIL is a three-tier service handling about 200,000 mail and telephone contacts a year in total. This is broken down as follows:
- 4.16 The Level 1 service is a call centre using a freephone number. The service uses a flowchart and keywords to identify the relevant issues and what written material might meet the caller's needs. Calls last between 90 seconds and two minutes. Where suitable material cannot be identified callers are signposted on, either to Level 2 or to external organisations where appropriate. In 2007-08, we expect to

deal with approximately 150,000 telephone and postal contacts at Level 1.

- 4.17 Level 2 of the line is a local rate number given out to callers whose needs could not be identified at Level 1 or who have called back with queries arising from materials that they have already received. The service is unscripted and callers speak to highly trained generalist advisers, the average call length being 8 minutes. At level 2 we expect to deal with 17,000 calls in 2007-08.
- 4.18 Level 3 of the line produces written materials for use at Levels 1 and 2, answers some complex enquiries and provides support to information and advice workers at local Age Concerns. At level 3 we expect to deal with 1,500 enquiries in 2007-08.
- 4.19 The commonest questions at level 2 relate to finding care and paying for it, and state benefits. However, the small number of queries about other financial services is not an accurate guide to the actual demand as, due to capacity issues, the Level 2 number is not promoted as a freestanding helpline, and many calls are referred on elsewhere. However, over the past nine years we have sent out 63,000 copies of our equity release factsheet. A lot of people also ask for tailored information and advice on equity release – a previous version of the factsheet used to include a list of providers, but we have had to remove this due to concerns about it being seen as a recommendation.

BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?

- 4.20 At level 1, ACIL loses only 1% of calls. At level 2, 20% of calls are lost. This is a capacity issue, due to the length of calls and the unscripted service.

BO4. If you operate some form of "triage" or "sifting" of calls, what criteria do you use?

- 4.21 ACIL Level 1 uses a flowchart and keyword system to identify the relevant issue and see whether a fulfilment item is available or whether the caller can be signposted to another organisation. Calls are only referred to level 2 if it is thought that they would gain something by making the

second call – otherwise the aim is to take a one-step approach to calls.

BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?

4.22 A list of organisations to which call operators can signpost clients is maintained by the ACIL level 3 team, on the basis of whether their service is consistent with ACIL values, such as impartiality. Calls are also referred to local Age Concerns where appropriate.

BO6. What management information do you capture?

4.23 ACIL captures three types of management information: service level data, covering items such as call waiting time; some customer information, such as where the call is made from; and subject information.

BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer feedback, complaints handling etc.)?

4.24 ACIL call operators are monitored for a minimum of calls each month, and complaints data is tracked. Regular caller surveys are carried out for Levels 1 and 2, and there is a process of peer review at Level 3. ACIL holds the CLS Quality Mark.

4.25 Federation members are required to work within the Age Concern 'Quality Counts' framework, and are supported by Age Concern England's Fieldwork Division. Holding the CLS Quality Mark is a passport to parts of the 'Quality Counts' criteria, although other quality marks are also acceptable.

BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?

4.26 Age Concern England arranges a Professional Indemnity Insurance policy which extends to cover all federation members of Age Concern. The cover is free of charge to federation members.

BO9. What level and type of training do you offer for your staff (e.g. costs, duration, suppliers, accreditation, etc.)?

- 4.27 ACIL advisers at Level 1 are trained to use the system and how to identify the key issues for the caller. Level 2 operators receive 3 months' training before they are allowed to handle calls unsupervised. At Level 3, existing specialists are recruited and offered ongoing training.
- 4.28 Federation information and advice services are supported by a number of resources and good practice guides produced by Age Concern England.

BO10. What are the payment arrangements for your advisers (e.g. payment levels, sponsorship, pro bono etc.)?

- 4.29 ACIL advisers are salaried employees of Age Concern England (with the operation of Levels 1 and 2 contracted out to Age Concern Enterprises, our trading arm).
- 4.30 Information and advice workers at local Age Concerns may be salaried or volunteers.

BO11. Who are your advisers (background, length of service etc.)?

- 4.31 See BO9 above. ACIL Levels 1 and 2 are based in Devon and employment conditions and the local labour market tend to encourage length of service.

BO12. How do you ensure that you work effectively with other relevant organisations?

- 4.32 Age Concern England liaises with Help the Aged and has produced joint factsheets with a number of other charities.
- 4.33 ACIL has access to Age Concern England's Policy Unit at Level 3. Otherwise, ACIL's main interaction with other organisations is through signposting to other organisations where necessary. ACIL monitors feedback from callers on signposting and will contact other organisations to clarify their services where appropriate.

CO1. What is your operational model?

- 4.34 ACIL operates a three-tier model as described at BO2 above.

CO2. What is the cost structure of your service (e.g. set-up vs. ongoing; capital vs. operational)?

4.35 The total cost of the information and advice service provided by Age Concern England, including ACIL, and materials origination and distribution, amounts to about £1million a year.

CO3. How long did it take to set up the service from blueprint to launch date? Did you pilot it first? If so, please provide details.

4.36 This is not known, as services have tended to evolve over time.

CO4. What are the components of your model and how do they relate to each other (e.g. telephone, face-to-face and online)?

4.37 ACIL is a telephone service, referring to local Age Concerns or other organisations where necessary.

CO5. If you operate an online service, how many people use your site and do they have to pay to use it?

4.38 The Age Concern England website (www.ageconcern.org.uk) is aimed at older people, their families and other organisations and at professionals interested in older people's issues. The website has an average of 120,000 unique visitors a month, and an average of 90,000 document downloads (usually factsheets). The factsheets most commonly downloaded are those on local authority charging structures for care homes, attendance allowance, state pension and pension credit, and making a will.

4.39 A recent online survey found that the site attracts visitors from across all age groups and from across the country and abroad: 65% of respondents were aged over 50, while 40% of respondents are retired, 40% work, 20% are students. 45% of respondents use our site at least once a month, and 70% are looking for information for themselves, a friend or a relative, with Health, Income and Pensions, and Care being the three topics of greatest interest. While 80% of respondents regularly use a computer, and the same percentage have broadband, 25% have some form of disability – mostly limited mobility and restricted eye-sight.

4.40 Note, though, that respondents were self-selecting and so this survey was not fully representative of our users.

CO6. Please provide information on the key statistics about your service (e.g. duration of session, average cost per session, approach to booking etc.).

4.41 Average call duration at ACIL level 1 is 2-3 minutes, at a cost of around £2-3 (excluding handling costs for any fulfilment). Average call duration ACIL level 2 is 8-9 minutes; a 20-minute call costs around £20.

4.42 This is little centrally-accessible data on advice costs in federation members. As an example, one Age Concern reported around 3,000 advice sessions per year, at an average cost of £33.

CO7. How are you funded and what do you have to do to qualify (e.g. grant-in-aid, customer payments, commercial capital etc)? How much do customers pay?

4.43 ACIL receives core funding from Age Concern England. As stated above, federation members' information and advice services may be core funded or project-funded.

4.44 ACIL is free to users; information and advice services provided by federation members are also required to be free. Age Concern factsheets and information sheets are free, but books are paid for.

CO8. Are you able to quantify the social / public policy benefits of your service?

4.45 See DO5 below.

CO9. If your service is required to show a return on capital, what are the Internal Rate of Return (IRR) and payback periods?

4.46 N/A

CO10. How do you measure the effectiveness of your service?

4.47 ACIL carries out regular customer satisfaction surveys, as well as reviewing service level data. Customer evaluation

forms and usability research is used for information and other materials, and demand is tracked.

DO1. What market research did you do before setting up your service?

4.48 N/A, as services have evolved over time.

DO2. What approach to advertising have you taken at the various stages of the development of your service (including an indication of level)?

4.49 ACIL is promoted through print advertising in national newspapers and specialist magazines serving its target market. However, much of the demand is generated by media coverage.

DO3. How has your service evolved over time?

4.50 The service offered by ACIL has been relatively stable to date, but is now being re-orientated around lifestages and becoming more targeted in line with Age Concern's corporate priorities. In addition, the role of Level 1 is expanding to try to resolve as many contacts as possible in the first call.

DO4. How did customer usage build up over time?

4.51 Initially, usage increased steeply as people got to know about it, but then stabilised. It has reduced slightly recently as website usage has greatly increased.

DO5. Do you have information about what your customers do as a result of your advice?

4.52 A recent customer survey found that 92% of callers to ACIL Level 2 acted on the information. Of those, 36% achieved a satisfactory outcome (at a cost of £40 per successful outcome) and 48% were not yet able to say.

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JV/April 2007