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Otto Thoresen  
Thoresen Review  
HM Treasury  
1 Horse Guards Road  
London  
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Dear Otto

Thank you for the opportunity to respond to your call for evidence.

My standpoint on the issues you raise is informed by my background of

- over 30 years in the financial services industry, including Chief Executive roles at three insurance groups
- experience of regulation, not only at the receiving end, but having served on the Boards of the PIA and FOS
- trade body experience as a director of the ABI, and as one time Chairman of their Raising Standards initiative, whose broader foundation work included thoughts in providing generic advice (which I have already sent you).

I believe it is important that you establish clear principles and a clear strategy for your work. The devil is very much in the detail and it is important that you do not let difficulties in the detail derail your strategic thinking. We know that there are no easy answers; you should therefore be willing to be radical. I am only responding to the strategic questions you raise.

There are now many well developed initiatives in Financial Capability, many of considerable merit. An important part of your work should therefore be systems integration, creating defined interfaces both with government departments and regulators (eg FSA's financial capability work and DWP's Informed Choice) but also with the many individual delivery initiatives (eg pfeg through to Aviva's 6 steps launched only last week).

Cont . . .

Turning to your questions on strategic issues:

**AS3. What do you believe is the most appropriate way of describing “generic financial advice” provision?**

Advice which is broadly right most of the time. It is important that you recognise that generic advice is not bespoke, is not optimised (as an aside, “best advice” has not worked well in the broader industry) and there are some contexts and circumstances in which maximising personal economic benefit may not be achieved by following generic advice.

However, generic advice should normally be appropriate for most people in most circumstances in normal economic conditions.

**AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?**

New Zealand and the US have interesting examples (I have some CDs if you can't source them yourself). They are interesting in that they use engaging and relevant problems in an entertaining and accessible (TV) way.

**AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?**

I believe you need a new super-structure which relates effectively to current (and potentially future) specific initiatives.

**BS1. Who should generic advice aim to serve including a view on segmentation?**

The most difficult groups to serve are those of limited wealth and income, whose financial and mathematical attainment levels and/or their self-confidence is limited. This could include micro-businesses as well as individuals.

**BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?**

You need not serve High Net Worth individuals or most well established, secure businesses.

**BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?**

The approach should be multimedia and multi-channel utilising any natural affinity of the target segments to particular access paths or institutions.

**BS4. What should be the content of generic financial advice? Which subjects should be included/excluded?**

Pretty much all everyday topics should be covered. Exclusions could be tax advice and sophisticated risk management.

**BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?**

The boundaries should flow from the principles you establish and the list of areas included/excluded. Generic advice should be prominently branded (as the risks are higher).

**BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?**

There should be a clear gateway/handover to a solution provider or to a Personal Financial Adviser.

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

Qualifications need to be kept low and based on common sense. Existing institutions could provide the advisors. [The advice itself would be more prescribed – see ES1 below]

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

There should be no legal or financial penalties against an advisor.

**BS10. How would the creation of a new generic financial advice service materially affect advice providers?**

Try to make it win/win. The Generic Advice reference body should be a new national institute. Most authorised financial advisors already focus on the more affluent markets, so there should be little impact. It would be worth talking to Credit Unions and door-to-door credit institutions such as Provident Financial. The FOS may be able to provide information on current customer detriment.

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

Advice should be free to the recipient.

**CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?**

I doubt it.

**CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?**

The societal benefits are greater financial provision leading to higher quality of life, lower social insurance costs and lower taxation leading to potentially greater economic competitiveness.

**CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?**

A small notional levy could be rebated by a product provider to the National Generic Advice Centre.

**DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?**

By creating a value system in which it is valued, and gives 'street cred' etc. There is also an important question of how – having received advice – individuals can be encouraged to take ACTION. You will be aware of the ABI's earlier work on this issue. For Personal Accounts, auto-enrolment should help significantly.

**DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?**

'Save more to-morrow' in the USA.

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

The Financial Health Service.

**DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?**

Yes, resulting in better financial provision.

**ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?**

A new independent superstructure should be created to give national oversight. It should have two components – one determining what generic financial advice should be given and the other overseeing delivery via a network of partners and monitoring delivered performance.

**ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?**

The new body should be accountable to Parliament through HMT/DWP.

**Operational Questions**

I have no strong views on these.

In conclusion, your work is very important as well as very difficult. I hope this response is helpful and I wish you every success.

Yours sincerely,

*Warm Regards*

*Lawrence*

**Lawrence Churchill**