



NFU Mutual

NFU MUTUAL

**Submission in response to the call for evidence by
the Thoresen Review of Generic Financial Advice**

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OVERVIEW OF THE RESPONSE

This document follows the structure and order of the Call for Evidence. In addition however we felt it may be helpful to provide an overview of our view on the provision of generic financial advice which may help to set answers to specific questions in context.

1. The provision of a generic financial advice service would be a wholly beneficial development. There is no question that a great many consumers do not have enough knowledge of financial matters to make informed decisions about their current finances and future provision and that a service such as this, set in the context of more effective financial education, would go some way to rectifying this.
2. One of the key issues to be resolved is the tension between the proposal that the service offers unregulated ('generic') advice and the need for it to be personalized, and therefore specific. For the advice to be helpful, appropriate and specific it needs to be based on a detailed understanding of the individual's situation and so will replicate the significant majority of the content of a fact find and recommendation carried out by a regulated adviser, yet to be unregulated, simple and cost-effective to deliver it needs to be substantially less involved than the current regulated advice process. There is also a tension between providing a service to those most vulnerable to the adverse affect of poor financial decision-making, and offering them a service which, through not being regulated, offers poor protection from the effects of poor advice.
3. A service which enabled consumers to make sounder financial decisions would be of benefit to parts of the financial services sector, as it is almost certain to stimulate demand for some savings and protection products and for more sustainable borrowing.
4. Our view of the service is that the generic financial adviser would offer something akin to the GP service – providing basic diagnostics and advice, but needing, for some issues, to refer to specialists who have more detailed knowledge, more specialised training, and can offer qualified advice on a broader range of remedies in their specialist field.
5. Such a service would, in all probability, mainly be delivered face-to-face. This because
 - a. the effective delivery of the advice relies on consumers trusting the individual providing the advice and for many consumers in the target market developing this trust requires face-to-face delivery;
 - b. apart from simple questions about financial products and options, much of the advice will rely on the adviser being able to look at documents the consumer brings in and talk through and explain forms, documents, figures and concepts.
6. Another fundamental aspect of any new service is that it has to play a highly proactive role in drawing people in to use it. There are a wide range of source of generic financial advice at the moment spanning the Citizens Advice Bureaux, the generic advice provided financial institutions such as insurance companies, building societies and banks, through commercial websites and the FSA's own website, all of which are free at the point of delivery. The main problem with all of these is that the consumers for whom this service is

designed do not use any of the many and varied sources of advice currently available.

For the service to work the organization(s) delivering it have to reach out to consumers and to do that there has to be a real benefit to them in doing so.

7. While it would be possible to provide such a service through a new infrastructure – Learndirect provides an interesting model for this – there are a number of disadvantages to this approach:
 - a. A network of local offices that provides easy access for the majority of the population would be extensive, especially given that the service would need the ability to encourage potentially reluctant consumers to access the advice, rather than require them to (as in the case of the network of local interview centres being developed by the Identity and Passport Service)
 - b. It would be extremely expensive to provide such a network of local offices, even backed by call centres, and especially to provide suitably qualified staff for the offices.
 - c. Building advice, supervisory and monitoring expertise from scratch in the new structure would be both expensive and challenging.
 - d. The task of building consumer trust in a brand new Government-backed organization with no track-record, especially since many in the target group would carry a mistrust of central bodies would be even more costly and challenging, and could take a substantial period of time to achieve.
 - e. Any single delivery body would only effectively reach a portion – potentially a small portion – of the target audience. Any organization – and Learndirect is a good example – appeals to some sections of the organization and almost by that fact deters others.
 - f. There would be a significant logistical problem of staffing local offices to ensure ease of access, through extended opening hours (i.e. not confined to the working day when many people could not access them) and managing staff numbers to cope with potentially low demand for long periods of the day.
8. We believe that a preferable means of delivering the service, and one that has far better potential to succeed in the long term, is to delivery generic advice through existing organizations and bodies, including employers, each of which already has a track record of delivering advice or meeting financial services needs or which is already in a position to provide such a service without having to build infrastructure. The advantages of this approach are that:
 - a. By selecting a *range* of delivery routes the service would be able to appeal to a much broader range of consumers, as each consumer could access advice through an organization, or type of organization, that they already trust.
 - b. The service would capitalize on existing relationships of trust rather than have to build trust from scratch
 - c. The issues of geographical spread could be solved by inviting applications to become service delivers from appropriate types of organization, and individual organizations within each type, so that UK coverage was obtained

- d. In using existing networks of offices the issues of manpower would also be resolved as the new service could make marginal use of existing staff and overheads
 - e. The service would be able to tap into existing supervisory and monitoring structures and, to some extent, existing technical expertise.
 - f. Perhaps most importantly, the service providers would have both natural constituencies– ranging from the staff of a large employer to the existing customers of a credit union - within which to promote the service and specific motives for encouraging those constituents to use the service.
9. The model we have in mind is more akin to the model of delivering Legal Aid, which is delivered through existing infrastructure and which can therefore be delivered at marginal cost. However we do not see generic financial advice being delivered only through financial organizations. This is neither necessary – as the technical requirements for delivering financial advice would not require this – nor desirable, as many consumers would prefer to take financial advice from other sources. We would certainly envisage generic financial advice being delivered by commercial organizations, public bodies and by larger employers.
10. The model also has strong parallels to the GP service with the National Health Service, with generic financial advisers providing the crucial and widely-trusted diagnostic service on a wide range of health concerns, in some situations providing advice directly and in others referring individuals to more specialized sources of advice and treatment. So strong is the analogy that the new service could be seen as a National Financial Health Service.
11. The key to the maintaining quality and consistency of advice across a range of organizations, and to achieving portability of recommendations – is that the engine of the advice provided should be a single-source, centrally-developed process – probably web-based – which provides recommendations dependant on individual circumstances.

The keys to ensuring the true portability of such an advice engine is that it should:

- a. Provide consistent prompts for the information required to ensure common understanding of what is being asked for;
 - b. Capture standardized data; and
 - c. Produce predictable and transparent recommendations with clear justification.
12. The current financial healthcheck on the FSA website is an excellent model for this process and may in fact need only modest enhancement in order to meet the requirements. Truly generic advice could be provided without such support by advisers familiar with the principles, but for personalized advice they would need to, for example, access the web to log on to the service and key in individual details.

This would almost certainly also be the key to ensuring that the service could be delivered and monitored cost-effectively.

STRATEGIC ISSUES

A. What is happening today, how and to whom?

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

One of the challenges that the current initiative has to address is that there are a wide range of sources of generic advice currently available in the UK – and very few consumers in the market at which the currently proposed service is aimed use them.

These include the advice contained in financial pages of the press and on radio that ‘personalises’ advice through use of example families and individuals, advice available from Citizens Advice Bureaux, advice from a range of financial websites not least of which is the personal advice available from the FSA website itself and the NS&I website, and the generic advice provided on a daily basis by authorized firms to individuals who do not want what we know as regulated advice, but simply want what the regulated sector calls information.

Some of this advice is paid for by the public sector, but the majority is paid for by advertising or absorbed as part of the cost of doing business by regulated firms.

The challenge arises from the fact that, despite the fact that all of this advice is free at the point of delivery to the consumer, it is still not well-used by the consumers most in need of that free advice. Any generic financial advice service has therefore to overcome the perceived barriers to accessing this advice that obviously exist.

Our view is that one of the barriers is that the target market will not necessarily access the service unless the service providers actively take the service to market and promote it effectively.

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

In such a complex area – where it is necessary to convey *both* what the service *is* (personalized financial advice) *and* what it is *not* (guidance on how that advice should be implemented through company and product recommendations) it may not be possible to convey all the key messages through a simple brand name.

It may be important that the brand name for the service avoids the use of the word ‘advice’ as this has the potential to mislead consumers, especially those who become familiar with the degree of protection afforded to those who receive regulated advice. A brand name along the lines of *Money matters* may therefore be more appropriate.

The advertising and promotion then have to convey the messages about what the service is, what it is not, and who needs to access the service.

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?

It is our view that there are a range of infrastructures already available, a combination of which would be best placed to deliver generic financial advice, much more so than any possible new structure.

Our reasoning is as follows:

1. We believe the main target for general financial advice should be those who are struggling with their finances at present and those who have not yet made any financial provision for their future.
2. The most important factor in making general financial advice accessible to them is that it should be available from a source that they trust and feel comfortable with.
3. While different people will feel comfortable turning to different types of organization, any new structure, no matter how it is constituted, will take many years to win the confidence of consumers, if it ever does win that confidence. We believe it is almost inevitable that if any new organization does succeed in winning this important confidence it will only be from a specific segment of the target market.

We do not believe that a new structure is either necessary or desirable, as any new structure would face the difficulty of both developing the confidence of a group of consumers and being able to develop that confidence only amongst a segment of the prime target market.

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

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

While generic financial advice should be available to all consumers, we believe that the prime target for such advice should be

1. Consumers struggling with their current finances, and
2. Consumers who have not yet made any financial provision for their future.

One of the principal aims of generic financial advice is preventative, aimed at those vulnerable to the consequences of poor financial decisions. However we do not find that consumers prone to making poor financial decisions are restricted to any social, demographic or economic group. In our experience people from a wide range of social and economic backgrounds and occupations have little or no understanding of the financial facts of life and are therefore prone to poor decision-making.

There are some differences in the nature of the advice required, however, depending on the individual's income.

There will be a level of income below which the individual consumer will have neither the need for nor scope to consider saving for long term savings. The needs of this group will be focused in a few areas such as day-to-day financial management, debt management and ensuring that they are maximizing their entitlement to state benefits. There may also be a need for advice on basic provision for life cover. Their needs and situation will define a specific sub-set of the knowledge and information required of anyone providing general financial advice, and there is likely also to be a definable sub-set of potential sources to which they are likely to turn for advice.

Consumers with higher levels of income may well also need advice on day-to-day management, and the management of any debt. They may also value generic advice on protecting their family and on saving for their futures.

However they may also have made some existing provision, such existing pensions schemes and some life cover, and in this case are likely to need advice which takes those provisions into account. In this case they would find it useful to be referred to a more experienced and qualified form of adviser – though not necessarily a regulated adviser – who has been trained on the different types of lending, savings and protection products, and can talk the adviser through the details of the existing provisions that they have.

Consumers with the highest levels of income may well also need advice on day-to-day management, and the management of any debt, but for advice about planning for their future they should be referred to a regulated advisor who will be better able to steer them through any tax and inheritance planning implications.

This approach – which naturally leads to a structure for a triage interview with interested consumers – is represented diagrammatically in Figure 1.

Figure 1: Generic advice triage matrix

Current situation	No day-to-day worries, some existing provision	Generic advice: family protection & state benefits, incl. NPSS	Refer to 2 nd tier adviser, qualified to advise on suitability of existing provision	Refer to regulated adviser
	No day-to-day worries, no future provision	Generic advice: family protection & state benefits, incl. NPSS	Generic advice: family protection, state benefits and discretionary saving	Refer to regulated adviser
	Day-to-day money worries	Generic advice: budgeting & borrowing & state benefits, incl. NPSS	Generic advice: budgeting & borrowing & state benefits, incl. NPSS	Generic advice: budgeting & borrowing & state benefits, incl. NPSS
		Low	Modest	High
Income level				

This approach also suggests a three-tier approach to advice provision:

1. Generic financial advisers – able to advise on financial needs and how to meet them, and what future provision to make
2. Those able to offer this advice, but also able to advise on existing provisions and how well they are meeting the individual's current needs, and
3. Regulated advisers.

The case for the middle tier being distinct from the first is that we do not believe that it is necessary for generic financial advisers to have the level of training required to advise on the suitability of existing provisions, and to make this a requirement for generic financial advisers would seem to be an unnecessarily constraint on the provision of the service.

There would have to be appropriate hand-offs between each tier so that the consumer could be directed to an appropriate organization or individual.

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

Since we are firmly of the view that those who are most vulnerable to the consequences of poor-decision making cross social and economic divides, and interest groups, we also believe that the only option for reaching them is to make generic advice available through a range of sources, each already in a position to deliver generic advice and each trusted by some sectors, at least, of the target market.

The sources could include **financially-orientated organisations** such as:

- Post offices
- Building societies
- Banks
- Credit unions
- IFAs
- Insurance companies
- National Savings & Investments
- Retail providers such as supermarkets and others offering financial products

Professionals, such as accountants and solicitors.

Advice organisations such as Citizens Advice Bureaux

And most importantly, perhaps, **employment-related bodies** including employers themselves, but also trades unions and professional bodies.

This last group may potentially be the most important as they not only have a keen interest in taking care of the financial welfare of their employees and members, but are also seen by many as trustworthy, reliable and objective.

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

The key subjects that should be **included** are:

- Budgeting
- State benefits
- Prioritising financial needs and actions
- Managing and insuring debt including:
 - Using the most cost-effective form of debt
 - Prioritising debt repayment vs. savings or discretionary expenditure
 - Protecting debt against death, unemployment and illness
- Protecting income in the event of death or illness
- Saving for emergencies
- Saving for retirement
- Saving for long-term care

It should also cover

- Affordability – how to assess how much the consumer can afford to spend or save
- Potential costs and returns – how much a given level of debt or insurance might cost, and how much a given level of savings might provide in today’s terms
- Understanding product comparisons for debt, savings and insurance
- Where and how to source an appropriate product

The style of advice should be a basic level of fact-finding – analogous to a GP style interview – to establish needs and priorities, together with some basic tools to quantify needs in key areas. The style and content of the service should be very similar to the financial healthcheck provided on the FSA website and indeed the tools required to support the process could be closely based on the FSA website technology.

The topics that should be **excluded** are:

- Advice on any area of savings or insurance in which some provision has already been made. This will exclude, for example, advice on what to do about deferred pension arrangements, additional pension contributions, switching mortgages, cashing-in investment products, and annuities.
- Directive advice on the specific amount of provision that should be made.
- Tax advice
- Specific advice on how much the recipient of the advice should save or spend
- Fund selection to support any recommendations concerning medium or long term savings
- Recommendations as to specific products and product providers

However there should be clear routes for the consumer to take to access those services not included in generic advice. This should consist of recommendations by the generic adviser to one or a range of appropriate sources of the excluded services.

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?

Generic advice should help consumers to understand

- What type of provision they need to make
- What impact a given level of provision will have on their situation
- How they should go about deciding how much provision to make, through which source, and how to direct any savings.
- Whether it is likely to have any tax implications for them.

It will leave to them to decide how much they can afford to borrow or spend, and with whom, and to seek expert advice on any tax implications, where appropriate.

The clear risk is that the provision of generic financial advice could result in many more consumers knowing that they should make some financial provision, but not doing so. The problem of consumer inertia is so great that providing them with advice on what to do is no guarantee that they will do it. Generic financial advisers have to provide strong encouragement to individuals to act on the advice given and have to give clear guidance on how and where they can do this.

BS6. What organisations and services should or could be expected to refer people to generic financial advice?

Any of the organizations listed in BS3 could refer people to generic financial advice, and indeed to provide it.

In addition any of the following types of organizations should be expected to refer people to the service:

- Government agencies, such as employment agencies, social services, benefits agencies, Learndirect
- Educational institutions such as schools, FE and HE colleges, universities
- Voluntary bodies such as youth clubs, care charities

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?

Recipients of financial advice should be capable of being referred to commercial providers, if that is appropriate, in the light of the advice given, and should be actively encouraged to implement the advice provided.

It is our view that generic financial advice will fail if there is no link of any kind between receiving the advice and taking action on it. Consumers who are less than confident about financial matters – i.e. the overwhelming majority of those targeted – will lack confidence in choosing a provider and/or the motivation to select an appropriate provider.

We believe therefore that an integral component of any advice where a product, such as a loan, insurance policy or investment product has been recommended should be a referral to an appropriate provider or shopping list of providers, together with active encouragement to implement the advice given. We further believe that the easiest way of achieving this would be for each provider of generic advice to develop a short-list of providers of relevant products so that their names, addresses and points of contact can be offered in pre-printed material.

Without clear referrals and active encouragement we do not believe that consumers receiving generic financial advice will, in the main, act on that advice.

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

On our view of the service the advice would be delivered by a standardized advice process, such as that contained in the FSA Financial Healthcheck. The role of the adviser would be to guide the consumer through the process, clarifying questions along the way and explaining the results of the process. The training and qualifications needed would be roughly on the same level as the CII's *Certificate in Financial Planning*, although with some adjustments to the detailed syllabus (less, for example, on regulation, investment and risk, and more sophisticated forms of mortgage, and more on short term credit options and the both the full range of and practicalities of state benefits).

On this view the training process would not be prolonged and a wide range of individuals would be capable of being trained.

We also believe however that it is important consistently to view the provision of generic financial advice in a broader, more holistic context in which greater financial education is provided in line with the overall financial capability strategy. We envisage a first rung on the ladder of financial education being that each school leaver should have a sound basic grasp of financial concepts, products and services, and that the second rung should be a graduate-level qualification. It is this graduate-level qualification that could offer the key requirement for being a generic financial adviser.

The advisers would be sourced from the operational staff of the organizations, public bodies and employers licensed to deliver generic financial advice. For organizations such as banks, building societies, credit unions, insurance companies and post offices one or more members of the counter or back-office staff could be trained to provide this service – ideal candidates would be staff involved in delivery customer service such as customer enquiry teams. For accountants and solicitors, this could be account managers or support staff, rather than the fully-qualified professionals. Retail suppliers of financial services could deliver this service through their call centres and government agencies could either use counter staff or deliver it through their call centres.

Any of these organizations could deliver the service via an internet site.

In this way not only would consumers have a range of organizations they could turn to for advice but also be able to access that advice either face-to-face or via telephone or, indeed, directly via the internet.

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

We believe this to be a complex issue and one that is dependent on the definition of generic advice and the boundary between it and regulated advice.

Currently consumers receiving generic advice even from regulated advisers do not enjoy the same level of protection as those receiving regulated advice. It would therefore be impossible, in our view, to provide those receiving generic advice under the new model to have any greater level of protection.

The challenge for the new process comes when a consumer takes the advice they have received to a regulated provider. The regulated provider may be reluctant to act on the basis of advice that they have not completed the research for and may only offer an execution-only service. In this situation the consumer will have significantly less protection than if they had gone straight to the regulated adviser. If the regulated provider is required to offer a full advice service then they may understandably wish to re-gather the data, rather than compromise their position by relying on the accuracy of the data already gathered, and may provide recommendations at variance to those provided by the generic adviser, thereby negating the benefit of the financial advice provision.

If we consider the three-tier advice model discussed earlier (see response to BS1) the implications of someone providing advice on whether existing provisions met an individual's needs could lead to the individual canceling or amending those provisions, and in this case the adviser and the individual would both need to be protected against the possibility of the advice being misconstrued. However the existence of this 2nd tier would at least prevent generic financial advisers having to become familiar with a wide range of existing provisions which would, potentially, make it hard to appoint generic advisers in sufficient numbers.

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

The provision of generic financial advice is likely to have a beneficial affect on advice providers, depending on the precise nature of the service, and depending on how well it is taken up in the main by those for whom it is designed.

If generic financial advice is implemented effectively it is likely to expand demand for financial products. Some of this demand may be directed through providers offering non-advice-based services, but it is almost inevitable that a proportion of people taking generic advice will have more complex needs that will need the services of a regulated advice provider.

C. Cost and funding

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

If generic financial advice is to meet its objectives there is no option but to make it free at the point of delivery. This could either be by making the service genuinely free or by providing consumers with vouchers – somewhat akin to Child Trust Vouchers – which they could redeem at a provider of their choice.

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?

There are, in our view of the implementation of generic advice, two distinct sources of cost:

1. The direct costs associated with providing generic advice at the point of delivery born initially by the organizations licensed to provide such advice;
2. The infrastructure costs of developing the advice process and materials, branding and marketing the service, and monitoring and overseeing its delivery.

Our view is that the principal beneficiary of improving the financial capability of consumers is the UK taxpayer. Benefits will accrue either

- directly, through savings in the benefit system stemming from reduced dependency on state benefits, or
- indirectly, through the benefits of greater average levels of personal wealth flowing through to the economy and, as a result, through tax revenues.

While it is true that the financial services industry itself is likely to be a beneficiary, and we would expect financial services providers to carry a significant portion of the costs of providing generic advice at the point of delivery, there are a range of difficulties associated with asking providers to share in the infrastructure costs. These are that:

- benefits would be spread across a wide range of organizations, such that it would be difficult to identify those who could reasonably expect to benefit
- benefits would be spread disproportionately across financial services providers, and indeed some organizations, such as parts of the credit sector, might see a reduction in lending and / or margins
- many service providers – commercial organizations, public bodies and employers - would contribute to overall costs by providing generic advice at cost to themselves.

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact find”?

The processes of customer engagement and fact-finding probably accounts for the majority of marketing and sales costs, and of adviser time. While this investment does create potential benefit, no actual benefit is realized unless the customer then acts on the advice received with

the adviser in question. In some cases no benefit arises either if the advice is to take no further action or if the customer does not act on the advice given or if the customer does act on the advice but with an alternative provider. In the latter case virtually the whole of the cost of the regulated advice will have been met with actual detriment to the provider through benefit accruing to a rival.

D. How can potential users be engaged?

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

There is no question that the educational initiatives for both students and adults envisaged as part of the overall financial capability agenda will go some way towards encouraging consumers to take an active interest in their personal finances.

However if generic financial advice is to have anything like a significant impact it must be backed by substantial advertising and marketing campaigns that catch the interest of the target consumer and make clear the benefits of understanding and taking more control of their financial futures.

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

In the financial arena there are a number of campaigns that have stimulated large numbers of consumers to act.

The 1986 'Ask Sid' campaign to promote the sale of shares in British Gas was so successful shares were massively oversubscribed at a time when UK consumers had demonstrated virtually no appetite for direct ownership of shares.

The 1988 Government campaign to persuade people to consider swapping their SERP benefits for a personal pension was a similar success at a time when many people would have struggled to know what SERPS was or how much they would stand to benefit from it.

These campaigns, and others like them, stimulated unprecedented interest in financial products from a very wide cross-section of the public through a combination of heavy and imaginative advertising and the offer of a financial incentive.

From other areas:

The 'Learndirect' service has developed, through imaginative and heavyweight advertising, a high level of awareness of the service and a degree of understanding of what it provides. It may be instructive to investigate the impact that the marketing of this service has had on actual usage and how widely *understood* it has become.

The first two examples mobilized consumers through offering a near-direct, tangible financial reward for doing so. In the case of generic financial advice, consumers will be offered a much

less tangible, deferred, and in some cases only potential financial reward for accessing advice. It is clear to us that, as a result, even heavyweight advertising campaigns will need to be complemented by pro-active engagement of the consumer by service providers who sell the service because they have a clear understanding of the real benefits to them of doing so.

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

The challenge for the branding of the service is that it has to appeal to a wide range of age and socio-economic groups and it has to create clear messages about what it is, what it is not, and how it should be used.

On our view of the service it is analogous to that of an NHS GP who can provide advice on a wide range of health concerns but who frequently needs to refer the patient to specialists for more expert and specific advice. While people from all sections of society genuinely appreciate the core diagnostic service provided by the GP many will feel it appropriate to supplement that with paid-for delivery of medical attention.

The analogy is sufficiently strong to suggest that branding the generic financial advice service as a National Financial Health Service would have a lot of merit, with generic financial advisers seen as General Financial Practitioners playing the all-important diagnostic role.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

We believe that in order to target appropriate consumers a wide range of service deliverers, and delivery options (face-to-face, phone, internet) would be required to deliver advice. Many of these – commercial organizations, public bodies, employers - would have local points of presence that would be ideal locations for delivering such advice.

While it would be possible to postulate different segments of the target market – which, as we comment earlier, would transcend socio-economic segments – that would be attracted to different types of provider, the key, we believe is to offer a range of options.

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

Provided a range of key criteria are met we believe that, as *part* of an holistic approach to improving financial capability, it could lead to a change in consumer behaviour. The key criteria are:

1. Heavy and imaginative marketing of the service using a range of media to attract different segments and age groups
2. A process that is standardized, to ensure consistency of delivery, and both simple to deliver and understand
3. The delivery of the process to be through a range of existing organizations each of which is trusted by a significant percentage of the target market
4. That it is a part of a cohesive approach to financial education and advice that takes an holistic approach to improving capability.

5. That there is a direct link from the generic advice process to a process through which the consumer can implement the recommendations and which the individual is actively encouraged to us, and

Criteria 1 to 3 are essential prerequisites for the successful implementation of the advice process. Criteria 4 and 5 are essential for ensuring that the delivery of the advice changes behaviour.

It would change behaviour because for many people who do not plan for their own financial present and future, the barriers are not a lack of desire but

- a lack of information and ‘advice’
- a lack of a trusted, accessible and obligation-free source of advice, and, crucially
- a lack of stimulation, challenge and encouragement to take action.

For many people we believe that separating the source of essential advice from the means of implementing that advice would be a significant breakthrough as it would enable them to seek out advice without the inherent fear of being pressured into buying something.

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 (e.g. national vs. regional oversight; existing vs. new body)?

We believe that the only credible option for oversight of the process is the Financial Services Authority who currently have all the necessary expertise, both technical, regulatory and supervisory, to undertake this role.

The FSA should license individual organizations, or umbrella organizations, to deliver generic advice, and oversee the boundaries between regulated and non-regulated advice, while the day-to-day monitoring and oversight of the process should rest with the licensee.

There should be a new authority (the Delivery Body) that works alongside the FSA and which is responsible for developing the generic advice process and marketing the service.

The role of the FSA should be to ensure that:

- The new process and the means by which it is marketing meet appropriate standards;
- That the providers of financial advice have appropriate processes for training advisers and monitoring their activity.

We believe that this process makes efficient use of existing skills and infrastructure while maintaining appropriate separation of responsibilities.

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

There clearly should be targets for

- the uptake of the new service,
- the quality of the experience consumers have of it, and
- the impact it has on their financial decision-making.

Responsibility for monitoring progress against these targets should rest with the Delivery Body.

However we firmly believe that *strict* monitoring of progress of the service – whether it is delivered by a range of organisations, or by one new body – would require a degree of information gathering and reporting that would alienate many people from using it. If, for example, the Delivery Body were to require providers of generic advice to report exactly how many people used the service, this would require unique consumer identification (for de-duplication purposes) and the information gathering and reporting that this would entail would deter some from using the service.

We would advocate instead that the Delivery Body sample users of the service. At point of delivery each consumer would be asked if they would be willing to be contacted about the service. Providers of the service would then be responsible for providing raw numbers of people seen and the contact details of those who had agreed to be contacted for research purposes. These people could then be researched as to the quality of the experience and the impact of the advice. This should not prevent individual providers of the service conducting their own monitoring of customer experience.

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

Key aspects of the relationship are outlined in ES1 above.

ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?

In our view the Delivery Body should receive direct public funding.