

Thoresen Review on delivering a national approach to generic financial advice – Consumer Direct contribution

General comment

Consumer Direct does not currently provide generic financial advice and usually signposts to other organisations if asked. However, our experience shows that consumers like receiving advice on the telephone. It is a quick, efficient and cheap way of learning how to solve problems and telephone helplines have grown in popularity in recent years. CD has experience in developing a technically complex service and training staff to deliver to a high level of satisfaction (currently 86%).

CD is always willing to consider an expansion of its service which maintains the close connection with consumer advice and being able to offer generic financial advice seems to match neatly into CD's current remit. It would also be in line with Varney in that no new helpline would be set up. It also fits with our ongoing relationship with the Financial Service Authority, who are encouraging us to offer our services in this consultation. We would see the FSA as a key stakeholder, ensuring that the new service dovetails into their activities and promotion of financial awareness. In addition, we already work in tandem with the Citizen Advice Bureau, who refer people onto us and vice versa. They could be a natural partner with Consumer Direct providing telephone and e mail advice and Citizen Advice providing face to face advice, thus covering all of the main channels.

We would be interested in talking to the Treasury about how CD might work with them to deliver their vision of providing generic financial advice to consumers, including the possibility of undertaking a pilot that would give an indication as to the level of demand.

Consultation response

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

Currently CD uses advertising plus the centre's stakeholder and communications officers who liaise and work with local groups in addition to undertaking activities such as information stands in shopping malls.

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

Our research with more vulnerable groups indicate that expenditure is a key issue and any payment other than a few pence to pay for a telephone call would be off putting. Thus charging for a service will reduce the reach of the service.

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

Customer surveys should be used to follow up if people acted on the advice and what they did and this should be benchmarked against the general population. CD works with the OFT economists to refine the measurable impact of CD. This is a requirement from Treasury.

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

- Consumer Direct is a telephone and online consumer advice service aiming to give consumers clear, practical consumer advice, and the tools and knowledge to resolve consumer problems themselves. The service's remit includes dealing with pre and post purchase advice. It does not currently give generic financial advice.

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

- CD is mainly a telephone advice service but it also has a website and receives some e-mails through it (about 3% of contact volumes).

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

- Legal - CD is part of the Office of Fair Trading.
- Organisational – CD consists of 11 contact centres based in the 9 regions of England plus Scotland and Wales, with a central team to co-ordinate the operation based at the OFT offices in central London. The central team provides services such as central IT systems and performance and quality monitoring and oversees the running of the 11 contracts for the centres. Contracts for the running of the centres are generally with either one local authority or a consortium of local authorities and are usually closely monitored by the local Trading Standards Services. In some areas, the local authority subcontracts to a call centre provider. Despite the different organisational structures, all 11 contact centres are contracted to provide the same service so that there is seamless delivery to the consumer.
- Governance – the central governance consists of the National Strategy Group (to recommend the strategic direction of the service to the OFT Board), the National Operations Group (to oversee the operational issues arising within the service) and a number of specific sub groups on communications, the central database, the central case handling system, etc. Each of the 11 contact centres has its own local governance arrangements, which involves local stakeholders.

AO4. How is your service funded?

- Directly from the Treasury.

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

- There is a major element of self selection amongst our customers in that we work to raise awareness generally and then they choose to contact us. Quarterly customer satisfaction surveys and feedback forms via the website help us refine the service.

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

- Our target market is all consumers with purchasing problems. Our current coverage is about 2.5% of the population.

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

- Consumer Direct had approximately 1.7million contacts for the financial year 2006-07. The questions asked could be on any subject dealt with by the Trading Standards Service from bird flu to consumer purchase problems. The majority are about problems purchasing consumer goods or services.

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?

- CD's measures calls abandoned after 20 seconds. The most recent figure is about 6% It may take longer to answer the phones during busy periods and some people do not want to wait.

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

- No triage system is used.

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

- CD has referral protocols with 94% of Trading Standards Departments in England, Scotland and Wales. Approximately 20% of CD contacts are referred to the TSS.
- There are working relationships with various organisations such as Community Legal Services, many local Citizen Advice centres and the NCC, who refer calls onto CD and vice versa. In both Scotland and Wales the country's Consumer Council and Citizen Advice sit on the stakeholder board.
- Currently working with the Home Information Pack Team to handle complaint queries as the new scheme is rolled out.
- CD (and the OFT) also has a long term relationship with the Financial Services Authority which explores how the two organisations work together.

BO6. What management information do you capture?

- CD captures a wide range of telephone and case handling statistics and service levels are constantly monitored.

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

- All calls are recorded. We have 3 performance and quality officers who visit the centres on a regular basis to check the quality of advice given, the service level and the performance against key performance indicators. They work with the centres to ensure the level of service remains high. We also do mystery shopping exercises to get an external view of the quality of advice and referrals are monitored by TSDs. Any problems with the advice given are fed back to the centre.
- There are quarterly customer satisfaction surveys.

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

- CD has liability insurance as part of the OFT. It can also call upon a number of internal lawyers to assist when necessary.

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

- Each advisor has to pass 2 exams during a six week university accredited training course before they are allowed to speak to the public.
- Each centre has individual continuous professional development programme to cover changes in legislation, which is initiated by the central team.
- After showing satisfactory performance over a number of months, advisors have the option of studying a further level, which is accredited by the Trading Standards Institute.

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

- Advisors are permanent members of staff, either full or part-time, and payment levels vary between centres.

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

- Backgrounds and length of service vary considerably across the centres.

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

- CD's partners are integral to the Governance model so they are closely involved in the decision making process.
- The OFT has a system of stakeholder managers with key organisations and CD also feeds into this.
- CD also has an ongoing relationship with the Financial Services Authority and meet with them approximately 6 monthly.

CO1. What is your operational model?

- CD operates through 11 contact centres co-ordinated by a central team based at the Office of Fair Trading. The OFT provides central IT and training services and monitors performance and quality across the centres. Calls are geographically distributed so that each centre receives the calls generated in their area and therefore, the advisers can apply a certain degree of local knowledge to their advice. Mobile calls go through a call routing service and are then sent to the contact centre in the area in which the caller lives. We have the ability to divert calls to or from a particular area as necessary. Complex calls, those requiring intervention or those involving breaches of the law are referred electronically to the relevant Trading Standards Department for action within an agreed period of time.

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

- Set up costs were around £11m to March 06. Running costs were £7.5m in 04/05, £15.5m in 05/06, and £19m for each of 06-07 and 07-08.

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.

- CD stems from the 1999 White Paper, Modern Markets Confident Consumers. 3 pilot centres were set up in 2000 (Consumer Advice Line for London, West Yorkshire Consumer Advice Helpline, Cornish Consumer Helpline) and then contracts were awarded to the first 4 centres in 2003/04. The centres were rolled out in 3 waves with the last centre launched publicly in Oct 2006.

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

- CD is a telephone advice service with a supporting website allowing e-mail contact. 97% of CD's contacts are by telephone with 3% by e-mail.

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

- There were circa 900,000 visitors to the CD website in 2006-07. There is no charge for use of the site.

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

- Telephone calls last approximately 6 minutes at a cost to the consumer of 4p per minute from a BT landline. There is no booking system, Calls are answered by advisers in order of arrival.

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

- CD is funded by the Treasury until 2010.

- The payment for new contacts from the Consumer Voice project is yet to be determined.

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

- The net benefit of CD to consumers is estimated to be around £124m to March 2010.

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

- N/A

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

- We conduct quarterly customer satisfaction surveys and conduct an assessment against the benefits plan.

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

- The service was set up by the DTI who conducted Mori research between 1999 and 2001.

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

- Advertising has always been closely aligned to the capacity of the service. It has concentrated on volume building at a local level when volumes were low and then awareness building on a national and local level as volumes increased.

DO3. How has your service evolved over time?

- CD is still a very new service and is continuing to consolidate to its existing plan. As a result of the Consumers, Estate Agents and Redress Bill CD is expecting to take on new types of contacts previously taken by Energywatch, Postwatch and the Consumer Council for Water. CD welcomes the expansion into new consumer areas.
- There is also a possibility that further new contacts may arise from the Varney Report, which is designed to form a number of contact hubs, simplifying the way in which consumers gather information. It has been hinted that CD may be asked to be the consumer hub.

DO4. How did customer usage build up over time?

- The services started with calls being diverted from local authority TSDs and awareness building of the 0845 number. Now, 60% of calls are through the 0845 number and 40% are diverted from local authorities.

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

- We conduct customer satisfaction surveys every 3 months which look at what consumers did after talking to CD and how successful they were at resolving their problem.