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Otto Thoresen
Head of the Review of Generic Financial Advice
HM Treasury
1 Horse Guards Road
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Dear Mr Thoresen

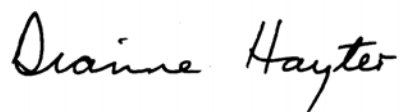
Evidence to the Review

Further to your letter of 13 March inviting evidence to the review, I have pleasure in attaching a brief submission which I hope might be of interest.

Although this does not represent the views of any of the various Boards on which I sit, it naturally draws on the experience of their work and owes much to discussions held with a number of colleagues.

I look forward to hearing about the progress of your review in due course, including at the 11 May Workshop.

Yours sincerely



Dr Dianne Hayter

Member, Board of National Consumer Council
Member, Board for Actuarial Standards
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Chair, Consumer Panel of the Bar Standards Board
Former Vice Chair, Financial Services Consumer Panel

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THORESEN REVIEW

Feasibility of delivering a national approach to generic financial advice

SUBMISSION FROM Dr DIANNE HAYTER¹

STRATEGIC ISSUES

Underlying assumptions to the Service

There is no doubt that the government's interest in considering this service is to increase saving, and to enable people to provide for a life-time income themselves wherever possible, without relying on the state. It assumes that saving is good and that there is a need to reduce public expenditure on income support. There is nothing wrong with these assumptions, but it might be best to spell them out and justify them, especially in personal terms (not simply that self-confidence and self-respect come from self-sufficiency, but that this is more likely to produce an adequate income whereas reliance on state benefits nearly always implies lower income, uncertainty and vulnerability to public expenditure cuts). In other words, be explicit about the value to both individuals and society of making this service work, rather than let it be seen as simply government trying to force us to save in order to reduce its expenditure. Advice should be a part of the partnership between the state and the individual citizen, not a tool of government policy.

Target audience

Whilst the Review's published terms of reference specifically mention "the most vulnerable", I would urge the Review Team to re-consider this very carefully for the following reasons:

- There is no static "vulnerable" community. Many of us move in and out of that attribute at different times of our lives. We might be vulnerable to taking the wrong decision when we first buy a house, or as pensioners, or when taking on a loan for higher education, but at other times we may be well in control of our finances (and even in need of a little incentive to put aside some spare cash). People should be seen – and treated – as individuals, who over their life span might have different needs.

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- In terms of the branding, marketing and positioning of any service, it would be very damaging for it to be seen by anyone as “for the vulnerable”.

Firstly, because none of us define ourselves that way. We would not want to have to see ourselves in that light in order to take advantage of the service – and nor should we have to classify ourselves as somehow less competent than others. People must not feel in any way “second class citizens” or ashamed in order to use this service.

Secondly, services for poor people tend to be poor services. The NHS serves everyone – although undoubtedly it is the vulnerable and the less well off who benefit most from it (because they have the highest needs). It is instructive to examine the current “smoking cessation” programmes being delivered at the workplace and elsewhere. Undoubtedly it is the less well off who are the major target for these (as they are still more likely to smoke than social groups A/B, and have the highest health risks). But such programmes have been designed for and are marketed to the whole community, such that no-one has to define themselves as needy in order to access them. They are designed to attract a wide audience. By such marketing, those most in need will also become aware of them.

- Thus, in answer to question BS3, the marketing should NOT attempt to define a “vulnerable” group but should aim at most people. It should have a positive message, such as “making the most of your money”, rather than a negative “avoiding debt” one.
- The answer to BS2 should probably be that only the rich would not be appropriate clients for this service.

Essential criteria

If there is one characteristic that should permeate the whole service, it should be that of providing *disinterested* advice. This will be key to its success. The service might be free or paid for, subsidised, national or local, web-based, telephone or face-to-face, but if it is not disinterested it will fail to deliver what is urgently needed.

A Learning Organisation

One of the challenges for the service will be to ensure it draws lessons, and policy implications, from its work which can then be fed into government, the financial institutions, the voluntary sector and individuals. This might be done by links to Consumer Direct, or through a research wing, but such a “feedback” loop to research and policy should be developed in parallel with the service itself.

OPERATIONAL QUESTIONS

It might not be necessary to develop a national service as such, but a framework into which potential service providers could bid for elements of the coverage.

The service might comprise a part free, part paid-for service (similar to the “green form” initial contact with a solicitor). People with severe debt problems currently have to pay for IVAs or bankruptcy proceedings and most people now have to pay for dental and optician check-ups etc. So modest payments should not be automatically ruled out, especially if they follow an initial free stage.

The service should cover all aspects of financial management – decumulation as well as savings and investment, debt, housing, education etc. For older people, the realisation of assets (from savings or property) can be as full of traps as earlier savings products.

The team will no doubt already be familiar with the “Sorted” web-site in New Zealand², and draw lessons from this – which include the need for individual, telephone or F2F, advice in addition to generic information.

Hopefully the Team will already be working with trade unions, and will also be familiar with work undertaken elsewhere (such as by the actuarial profession³) in the past.

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² www.sorted.org.nz

³ See for example, “In Place of Micawber: Empowering Financial Consumers” by Sir John Banham (Chairman of the Inquiry into the Provision of Financial Information and Advice), the Actuarial Profession, 5 July 2001