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Honorary Vice President Baroness Turner of Camden

Warren Davis
Thoresen Review of Generic Financial Advice
HM Treasury
1 Horse Guards
London SW1A 2HQ

25th December 2007

Dear Warren

It was very good to meet you earlier this month and exchange views about generic financial advice. Our first views are to welcome the Government initiative. It is also important that the widest consensus is achieved and that progress is made in partnership mode so that what is introduced is durable and permanent. Second it is extremely important that there are no turf wars as between HMT and other Government Departments on the one hand and the FSA on the other.

If we have a criticism of the interim report it is that it does not deal properly with the role of the workplace as a key distribution channel for financial services products e.g. pensions. If an employer offers a discount on products and provides GFA through the HR function and with the support of trade union representatives and officials then take up, all empirical evidence indicates, will be significantly higher. Our view is that the F2F approach is best, but this needs to have a back up and a multi distribution channel is best. Yes, of course people will seek out an IFA, their accountant or lawyer, but these distribution channels are not comprehensive and efficient like the workplace.

A quadripartite approach is best: Government, employers (their trade associations), their unions and the third sector. The problems of financial exclusion and the savings

gap are so large that unless urgent action is taken there will be serious political and economic problems by the middle of this century. The Government at the time may well face a political avalanche. Clearly the public sector has a major role to play as an exemplar, a legislator and a facilitator. Generally speaking pensioning arrangements in the public sector are superior to those in the private part of the economy. The public sector must set an example on GFA and offer its services. HMRC might be a useful example as this part of Government affects everyone. I mention HMRC as an example because delaying a state pension entitlement attracts an above base rate interest.

At this stage in the debate we support the E 37 hybrid model.

We agree with E 40 and 41. However, we observe that the responsibility here is not just with financial services employers (though they have a leading role). All employers must discharge their role. The existing model of banks and IFAs is not sufficient.


Funding is important £50m will be quite insufficient if GFA is to be embedded. The problem with this figure is that intermediaries and providers will think that a token contribution is all that is required. Regarding a levy we are not opposed to the idea per se, but clearly employers that make an effort must get some form of rebate or remission.

Of course financial services products do not come cheap, pensions and protection products in particular. The public needs to have an investment mentality. People have to take a responsibility for their own financial affairs, rather than waiting until they get into unsustainable debt.

People will shop around for general insurance, a current account (to a limited degree) and a mortgage as a matter of course. At the same time the really valuable product – a pension is ignored – because it is perceived as being too complex or lacking public confidence. There are still far too many people on rebate only arrangements or contributions of £100 pcm – a recipe for a poor retirement as the BSP, with no disrespect to it is not an income that can be relied upon for a reasonable standard of living.

The Alliance will be happy to engage in further debate with HMT after the publication of the Thoresen final report. In point of fact Otto Thoresen is the lead speaker at our conference on 1st April 2008. We stress that it is important that there are understandings with the TUC and trade associations in order to shift society more towards a savings culture. We have argued that there is a need for a durable social consensus over many years.

Kind Regards


DIGBY JACKS
Alliance - secretary