



tax incentivised savings association

RESPONSE TO

**THORESEN REVIEW OF GENERIC FINANCIAL
ADVICE: INTERIM REPORT**

February 2008

INTRODUCTION

The Tax Incentivised Savings Association – TISA - (until July 2007, the PEP and ISA Manager’s Association, PIMA) has a growing membership of over 120 organisations interested in the UK market for services & investment products, from Child Trust Funds, through Individual Savings Accounts to Pensions. We have recently established new Advisory Councils in Retirement Saving, Wraps and Distribution, whose observations and thinking have contributed to this response. We are distinguished by the very wide scope of our membership, from Banks, through Investment Houses and Life and Pension providers, to Distribution organisations and IFAs. We are not, therefore, restricted to representing a sector approach, but rather the views of a very broad church indeed. We also, as an organisation, start from the principle that what is good for the consumer must, in the long term, be good for the business of our membership.

Our response is framed in terms of principles, followed by commentary on the individual questions where we believe we have something to add.

PRINCIPLES

1. We welcome the Interim Report and are highly supportive of the direction of travel being taken with Generic Advice. We believe that it has the potential to make a real difference to the understanding of retail financial services in the UK population and are very much of the view that well informed consumers will be good for providers of those services.
2. We also believe that the Principles and Themes outlined on pages 7 and 8 of the Report are the right ones upon which to base development of Generic Advice.
3. We think the “Hybrid” model for delivery of Generic Advice is also the right one, subject to mechanisms of command and control which will ensure homogeneity and consistency of information delivery being in place.
4. We suspect that the title of “Generic Financial Advice” may not be the title that the service should actually use to the public, first because it may not be readily comprehensible to them and second, because the word “advice” implies something the service cannot deliver.
5. Whilst we recognise that your brief essentially assumed joint funding between government and industry, we suspect this may be a bone of contention in actual delivery. This is not because we don’t think the industry should, in principle, contribute, but rather because of the need to ensure complete separation from commercial interests. We also believe that deciding who should contribute what, and in what proportion, on the industry side will be fraught and will distract attention from the good outcomes we all want. The sums involved in funding this are not, in the scheme of things, large, but people have a habit of wrangling over pennies! However, given your brief, we would tend to the view that funding be collected from the FSA regulated community.
6. We believe that Generic Advice has a potentially very wide audience and should not be targeted too specifically in its internal style at a particular demographic. Balancing this, we do recognise that there are particular groupings most likely to find it of use. We believe that the initial “marketing”

will be key to its success and that ongoing marketing support will be vital. In fact, we believe that the volume and impact of the initial and ongoing marketing will be the single biggest determinant of whether Generic Advice succeeds – although this clearly has a cost implication. The creation of the service will not, of itself, create a demand for it.

7. We think there is potential for poor linkage between the many different entities offering support to consumers in specialist areas that already exist. We agree that GFA should not be a “crisis” site, but are concerned that definite and cogent support should be in place for those in that position.

RESPONSES TO SPECIFIC QUESTIONS

CHAPTER 2 – WHO NEEDS A GENERIC FINANCIAL ADVICE SERVICE AND HOW CAN THEY BE ENGAGED?

1. **DATA SOURCES** There is a large amount of research available from our membership which, although not specifically about GFA, provides evidence about the topics and issues that consumers find most difficulty with in retail financial services. We would be pleased to discuss with you areas you would find of most relevance.
2. **OUTCOMES** We believe that the outcomes identified are appropriate.
3. **ENGAGING CONSUMERS** As identified above, we agree that this will be key. The Report identifies life events as triggers to enquiry and action. TISA members have particular expertise in marketing around life events such as the birth of a child through our focus on Child Trust Funds. We would be pleased to share our experience in this respect. We also believe, from experience, that a strong initial marketing burst would be required to launch this service effectively and that an appropriate budget should be built in to your projections for this.

CHAPTER 3 – DESIGNING THE NATIONAL APPROACH

1. **PARAMETERS FOR GFA** We think the parameters identified are about right and that it would be difficult to provide a deeper service without straying into “advice” in its regulated sense.
2. **ACCREDITATION AND TRAINING** TISA believes that training, and the monitoring of that training, will be key to the effective and compliant running of the service. So, in the hybrid model proposed, training would probably best be delivered and monitored by the body responsible for GFA, although it might be possible to use an outside body for training delivery only. We support the work of the FSSC and NSA in this area. The proposals for “Primary Advice” envisaged close adherence to web-based decision trees and processes and we believe these will be the foundation for all that follows in the field. That having been said, we do not believe that telephone based or face to face interviews should be “scripted” – there is nothing more off-putting for consumers who may be genuinely worried about what to do for the best. Only interviewers who have successfully completed their training should be accredited by the operating body and no-one not accredited should be allowed to give GFA. As regards qualifications, we are not clear that these would be

required if the training is good and comprehensive, with written examinations, although those qualified to Diploma level might well be expected to hold supervisory positions, for example.

3. ACCREDITED PARTNERS Outsourcing has become popular in a range of businesses where new operations need to be set up quickly, or core competences are not represented in the ceding operation. There are quite a range of customer service oriented organisations around, one or two of which have been involved with your pilot work. There is no doubt that they could fairly quickly be adapted to serve the telephone and face to face functions required in GFA.
4. COMMERCIAL PROVIDERS AND GFA Subject to accreditation by the public body referred to below, we think that GFA could theoretically be delivered within commercial operations. The process of “hand over” to an adviser qualified to advise on that operation’s products would need to be very tightly controlled, however, to avoid a “sales” feel to the GFA. The moment consumers think they are being “sold” to, they will disengage. This would tend to militate towards a complete separation between the service centrally, and commercial providers. Hand over will also be a challenge in more general terms, particularly in the case of the partner in the hybrid model, who may not be able to do more than point the enquirer in the direction, of, for example, some “comparison” web sites. These have well documented problems of their own. We think more work needs to be done here and would be happy to contribute. We also need to be aware that increasing amounts of “execution only” business can be expected as web-enabled customers become more confident and we need to be careful not to get in the way of this trend.

CHAPTER 4 - GOVERNANCE

1. DELIVERY ORGANISATION We are firmly of the view that a new, independent, body is required to deliver GFA, and that this should be a public body along the lines of the Personal Accounts Delivery Authority. We believe that no new legislation would be required to do this.
2. DELIVERY BY AN EXISTING ORGANISATION We don’t believe that any existing organisation displays enough of the relevant features to deliver GFA effectively.
3. See above.

CHAPTER 5 – COSTS AND FUNDING

1. COMPULSORY LEVY As indicated earlier, we have reservations about whether the industry should contribute *in principle* but, assuming that a contribution from industry is required, we agree with the concept of a compulsory levy. It should be a new and explicit levy, but should, if at all possible, be collected alongside an existing levy for ease of administration.
2. “LEVY IN KIND” We think the concept of payment of a levy in kind is likely to be divisive and should be avoided. The projections suggest that the levy is not likely to be of an order of magnitude that is difficult for most market participants to cope with. Secondments of staff should be for the

benefit of both the new body and for the employer and they are a good idea in principle.

3. **COVERAGE OF INDUSTRY LEVY** We recognise that there may be those organisations that either give rise to contact with GFA, or stand to benefit from it, that may not be FSA registered. However, we think that the organisations that stand most to benefit from well-educated consumers are, for the overwhelming part, FSA regulated. Whilst somewhat agnostic on this area generally, it seems to us that the universe of those from whom contributions might be collected would be broadly those who pay fees to FSA.
4. **EXCLUSION FROM COMPULSORY CONTRIBUTION** If we start from the belief in principle that there is benefit to the whole retail financial services industry in better educated, more confident, consumers, then it follows that there must be little ground for exemptions. This is especially so given our belief that it will not just be “at risk” groups that will use the service. Furthermore, making the decision for exemption will be something of a judgement of Solomon.

CONCLUSION

We believe that TISA, with its membership’s experience of targeted marketing to the mass market and broad membership base, is uniquely placed to help the delivery of GFA. We also firmly believe in the opportunity this presents to help the UK consumer become more confident in dealing with financial services generally, and in the direction of travel being taken by this Review.

We would therefore be especially interested in opening a dialogue with the Review team to see where we can help contribute to successful delivery.

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