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Dear Jacqui

**Which? response to interim report of the Thoresen Review of Generic Financial Advice**

Further to our recent meeting, I am writing with some general comments from Which? on the interim report of the Thoresen Review.

Which? welcomes the publication of the interim report as an important step towards the establishment of a generic financial advice service. We are grateful to Ted Hart, Jacqui Clachan and the rest of the review team for their hard work and for the constructive and open way in which they have entered into dialogue with stakeholders. The report makes a persuasive and timely case for a GFA network that will bring real benefits to consumers and improve financial capability on a national level. Which? fully supports the outcomes identified by the interim report and the partnership approach to delivering the service proposed by the review team. We do not intend to reiterate our response to the review's call for evidence, or repeat the points made in our 2002 policy paper on a National Financial Advice Network. However, we do have a number of specific issues we would like to highlight.

On the issue of training and accreditation for those delivering the new service, we believe it is vital to have highly skilled and well-trained individuals providing information and guidance to the public. It is inevitable that this will come at a cost, but the quality of employees is fundamental to the service and significant investment is crucial. The depth, and to a certain extent, the breadth, of GFA will be conditioned by the quality of the advisers employed, given the need of consumers to be confident in the competence of those who advise them, whether by telephone or face to face.

Regarding delivery of the service through existing organisations, any such body should be licensed, accredited and trusted. There are a number of trusted intermediaries operating in the provision of financial guidance and assistance to the

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public - the question is whether an existing body can be a successful 'brand' for all sections of the population. If not, a new body will be needed. Which? believes the involvement of any existing organisation should be assessed against a set of clear suitability criteria. Most fundamentally, the organisation should face no conflict between generating sales and providing appropriate guidance to consumers.

Related to this, Which? believes consumers may see a conflict of interest if the service is delivered in a commercial setting, and this may contaminate the GFA 'brand'. It will be important to carry out further work on consumer perceptions of 'independence' before allowing a GFA service to be delivered in a bank, for example. Which? would expect clear evidence to be produced that no damage would be done to the reputation of the service if it were delivered in a commercial setting prior to the use of such a delivery route.

However, we accept the point that a GFA service is only useful in most cases if it actually results in action by the consumer seeking advice. For many individuals this will involve the purchase of a financial product. We therefore accept that a consultation with an 'adviser' could result in the consumer obtaining a portable fact find to use in a sales environment, although we are aware this is not an area currently being considered by the review. The caveat for this is that the GFA staff must be well-trained and highly competent.

Important discussions are now taking place over whether the GFA service should reside inside or outside the regulatory boundary. Hitherto the assumption has been that GFA will be non-regulated advice, which would mean it can be delivered at lower cost. However, if evidence exists that the delivery of effective GFA would be inhibited by a requirement to keep the service in the unregulated sector, Which? would be open to exploring alternative options.

On governance of the new service, Which? believes it is extremely important that the organisations involved in both strategic control and delivery are focused on the goal of boosting financial capability. The service must primarily act for the benefit of consumers. This means that the objectives of the service must not be skewed by any of the other activities carried out by the participating organisation(s). In practice, we would expect the service to have a ring-fenced budget and workforce and a distinct management structure if it were located within organisation(s) with competing priorities.

We further believe that the governance structures of the service must be inclusive and representative. Both business and consumer bodies have a role to play in overseeing the service. Furthermore, it will be possible to accumulate vast amounts of data on consumer problems once the service is up and running. Which? would support giving the service an explicit goal of collecting data to identify

sectoral problems, assist with policy development and ultimately increase market efficiency.

On the issue of funding, we understand that the view of the interim report and the government is that both government and industry should make a contribution. Both government and industry will benefit from the service, so the report's proposal would give the service both credibility and ensure sufficient resources are available. However, if industry is a funder of the service, we do not believe that this can be left to a small group of firms. All parts of the retail financial services industry will ultimately benefit from increased financial capability and any levy would need to be fair. It is not just FSA-regulated firms that operate in areas that give rise to a consumer need for GFA. We have in the past suggested that FSA fines could help support a GFA service but this would probably require an amendment to FSMA.

Which? looks forward to the publication of the review's final report and the continuation of our discussions with the Thoresen team. We would like to suggest that the final report provides a timeline for the implementation of the service if the planned pilot is successful. This will maintain momentum towards the establishment of the organisation and facilitate planning by those involved.

Yours sincerely

**Doug Taylor**  
Personal Finance Campaign Team Leader