

Response from Jeremy Fraser

1. As a general comment, in my view what is needed in the first instance is more explanation and access to information on financial matters, rather than necessarily detailed financial advice.
2. I do agree that the expression "generic financial advice" is not the best expression to cover what we are dealing with here and what I believe is needed for the consumer.
3. I think we should instead be focusing on "Financial Information" and what I would like to see is a scheme whereby the FSA grants approval to a number of organisations to issue financial information to consumers.
4. Such organisations could be IFAs, OFT, CAB, Which or other consumer bodies, colleges, universities, schools, councils and if need be bodies set up specifically for this purpose (possibly simply a division of the FSA).
5. Each such approved body could for example be called an "Approved Provider of Financial Information" (APFI) and there could be various levels of approval, to cover for example very generic information or more detailed information tailored to requests from individuals consumers.
6. The FSA would vet the standard of the information proposed to be provided, including the processes and mechanisms by which it would be given to the consumer (eg by checking websites and leaflets issued and/or mystery shopping) and would satisfy itself that those updating the information are suitably qualified and experienced to do so.
7. After the initial approval has been given there would be regular spot-checks and annual returns to ensure standards are kept up.
8. It may also be safe to allow bodies with a vested interest in selling financial products, such as banks and insurance companies, to be approved, since the information-providing aspect of their organisation would require to be "whiter than white" and would be subject to FSA scrutiny to ensure it is completely impartial. However their approval could be limited to providing generic advice, for example including on their website an explanation of the difference between an interest only and repayment mortgage, or an explanation of a final salary pension.
9. My perception is that there is a massive need for additional information on financial services products, as shown by the current levels of over-indebtedness and (even more widespread and potentially much more damaging) inadequate information and understanding of savings and pensions products resulting in under-investment for retirement.
10. A very good example of how the simple provision of information can assist consumers is the DWP scheme for issuing combined pension information. Generally this is being used by company pension schemes to allow those in the scheme to see what their state pension and their company pension combined will amount to. In many cases this results in the members topping up their company pension payments and hence becoming adequately provided for going forward.

11. However a number of schemes have also opted to send information on the state pension figures to non-members of the company scheme and in a number of cases when the member sees how little his state pension will be, he immediately signs up for the company scheme.

12. These are just small examples but they demonstrate how the simple provision of (specific) information can result in consumers making the right decisions on their finances.

13. Detailed explanations of the different types of pensions and other investment products and eg assistance with understanding what can and what cannot be invested in a SIPP could equally well result in consumers making much better choices.

14. Likewise easy access from a reliable source to information on the various options for obtaining credit could help avoid over-indebtedness

15. The FSA or any other body set up specifically to provide FI would take responsibility for working with APFI bodies to produce acceptable “starting point” explanations of all standard types of financial services products available in the UK. This could then be made available to all APFIs to ensure consistency in terms of the starting point generic explanations of the benefits and disadvantages of particular products. They would also work with APFIs and with the FS industry to produce flow-charts for processes for providing “response driven” Financial Information. This would not be designed to result in a recommendation, as happens under regulated financial advice. It would be designed to assist the consumer, in an interactive process (which could be eg internet or telephone – probably IVR mostly - or potentially face to face), towards reaching a point at which they feel sufficiently well informed to be able to make their own decision. The information would need to include details of the types of organisations which supply the products which may be relevant and where to find them, as well as potentially some objectively verifiable information on pricing trends, eg that the APR on a personal loan is generally cheaper than the APR on a credit card and the APR on a credit card is generally cheaper than the APR on a store card. The decision could be for example:

- to top up their pension
- to start a private pension
- to take an interest only mortgage, knowing they already have a suitable repayment vehicle in place
- to buy or not buy payment protection insurance, or to buy it from an independent provider rather than the bank they are taking their mortgage from
- to arrange a personal loan or overdraft rather than using their credit card for a major purchase or to consolidate their debts
- to start a pension for their grandchildren
- not to cash in their endowment policy
- to approach an IFA for more detailed face to face financial advice
- to approach an accountant for tax-advice or a lawyer for legal advice.

Numerous decisions like these could be made with the consumer being much better able to make the right decision if the type of reliable Financial Information I envisage could be provided, free of charge, to consumers. APFIs would be either consumer or educational bodies or, in the case of the commercial bodies, would be taking a longer

term view and seeing the benefits eg of increased pension sales across the industry when consumers understand the need for increasing their retirement provision. Thus for example a body funded by the pensions industry could become an APFI. Likewise a body funded wholly or partially by the banks could benefit the banks by helping them achieve their FSA "Treating Customers Fairly" standards for compliance purposes. Banks could have a step in their sales procedures to refer the customer to that body if they seemed uncertain and to give the telephone number of the APFI in their advertisements and sales literature so customers have the option of calling up for explanations. This could potentially also give them more sales overall, as consumers may take out more products if they feel they can trust the information they have been given about them.

I hope these views are of interest and I would be happy to discuss with any interested parties.

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