

# TPAS Response to Thoresen Review

## Strategic Issues

**AS1.** We are aware of a variety of National general advice services such as CAB, Age Concern, and Help the Aged, etc, and local services like the Roundtree Trust etc. Our experience is that generic financial advice is provided solely by the not-for-profit sector (mostly funded by government depts) or voluntary organisations, most of whom are charities or funded by public money.

We have no experience of this work being done by the private sector although we are aware that there is interest by IFAs in getting into this market on a fee earning capacity. The attraction for them is the lack of regulation. However, it is hard to see why consumers would pay for unregulated advice when they could get regulated advice for the same expenditure.

**AS2.** We would not be aware of the information requested in respect of the organisations referred to above and will restrict our response to The Pensions Advisory Service (TPAS).

TPAS is a company, limited by guarantee and funded by a grant from the DWP. The grant is derived from a levy imposed on all occupational and personal pension schemes. It is a voluntary organisation, having approximately 500 volunteers spread throughout the UK and supported by a staff of 35 working out of an office in London. The volunteers are all professionals recruited from the pensions industry.

TPAS has recently been designated as a NDPB and is managed by a Board of Directors which from 1 August 2007 will consist of 12 members. 3 of the members are the paid executive who are responsible for the day-to-day running of the organisation, 5 members are elected by the volunteers and the remaining 4 members are appointed by the Board. Vacancies for appointed members are normally advertised and chosen from the candidates who apply. Occasionally, to make up a particular skill deficiency on the Board, someone with the required knowledge will be invited to apply.

TPAS has a dual function. We intervene in pension disputes, both occupational and personal but not state, and try to bring about a resolution through conciliation and mediation. We also provide an information and advice service on all aspects of pensions, including the state pension, to the general public. The information and advice service is delivered by website (over 400000 visits last year), a telephone helpline (54000 calls last year), written enquiries (8000 last year) and providing talks on retirement provision and saving to employees in the workplace.

**AS3.** Our view of generic financial advice is to provide the customer with the information they require, in a structured, digestible and understandable way, so as to put them in a position whereby they are able to take the decisions they need to make, without being given a specific direction. It is, therefore, an information and education

process, rather than an advice process. We define advice as specifically directing the customer towards a particular course of action.

We also question that it is generic financial advice that people are in need of. The experience of our helpline, which deals with all aspects of pensions, state or occupational or personal, is that last year only 8% of our callers were seeking advice. The rest were merely looking for information.

**AS4.** We are not aware of any.

**AS5.** We are not aware of any.

**AS6.** We would be opposed to the introduction of something brand new as we see this to be inefficient, costly and unnecessary. What we envisage is a service which pulls together the existing network with any gaps being filled by getting existing players to expand their activity or by new organisations.

With regard to the proposed service, the new, all-embracing helpline is the aspect of the new service which interests us mostly. We would strongly argue that TPAS should form the pension's part of the helpline and other existing services should form the part relevant to them, such as debt counselling. The model we envisage is there would be a single telephone number covering the new helpline, callers are invited to press a number, 1 to 5, for the particular subject of their enquiry, e.g. pensions, debt etc. That would put the caller straight through to the appropriate specialty such as TPAS for pensions.

This means that the new helpline is relying on the existing expertise and experience built over many years of organisations such as TPAS rather than going back to the drawing board and starting from scratch. Also these organisations will have developed Q&As and other mechanisms for providing consistent high-quality responses.

**BS1.** Although the service as a whole may be aimed at a particular sector of the population, such as low to medium earners, a website and helpline must serve the entire community.

Pensions is a very specialist and complex subject and requires to be dealt with by an organisation with the appropriate knowledge and expertise such as TPAS. We do not operate a call centre but a HELP line where every caller is given the time and expertise necessary to fully satisfy their enquiries.

**BS2.** Those earning above a certain amount might be excluded from face-to-face aspects of the service on the grounds that they can afford regulated advice. However, this would not be practical for other delivery mechanisms such as web, phone and correspondence.

We believe that it would not be desirable to exclude anyone from the service.

**BS3.** The internet is becoming increasingly available to all economic, social and ethnic groups. It is available around the clock, 7 days a week. People can access it at a time suitable to them and are now accustomed to turning to the Net as a source of information on a vast variety of subjects. This should be the primary delivery mechanism.

It should be backed up by a telephone helpline, calls to which should be free or, at most, charged at local rate.

To provide a national face-to-face service would be very expensive and it is likely that this would only be a practical possibility in large cities where the necessary expertise would be available. It may be possible to provide a visual link to a helpline operator through the use of a video phone sited in a local facility such as a CAB office. This might satisfy the need for face-to-face advice.

**BS4.** The subjects to be included should be Debt, Pensions and Personal Finance. Personal Finance is a very large subject and may need breaking down into sub-categories such as Banking, Saving, Mortgages etc. There should be no more than 5 choices.

**BS5.** For us, generic advice is about providing relevant information in a systematic and comprehensive way so that the enquirer is able to make their own decisions. It does not conclude with a specific recommendation which is the main difference with regulated advice.

Generic financial advice has a greater onus to inform and ensure understanding on the part of the enquirer. Regulated advice, particularly from a trusted source, may have very little requirement for knowledge or understanding on the part of the consumer. Often the consumer merely wants a specific recommendation from that trusted source.

**BS6.** No comment

**BS7.** If the enquirer is not able to make a decision and needs specific regulated advice, we would direct him/her to an organisation such as IFA Promotions or the Association of Independent Financial Advisers through they can access an IFA. We would, however, also advise them on how IFAs are remunerated and help them decide whether they want a fee service or one paid by commission. Given the nature of the advice they are seeking, we would also go through the questions they should ask and the nature of the information and advice they should expect to receive. We try to give them the information they need to deal with the IFA market with confidence and trust.

**BS8.** For TPAS, all our technical staff is recruited from the pensions industry. We seek people with a relevant professional qualification, experience and knowledge, dependent on the vacancy we are looking to fill.

**BS9.** We accept that we can be held legally responsible for the consequences of people acting on the information and advice we give. It is imperative that the information we provide is accurate.

**BS10.** The rationale for this review is that what the public need is a source of generic financial advice. We would point out that only 8% of the callers to our helpline are seeking financial advice. The other 92% are looking for information. Of the 8% looking for financial advice, about 50% will still require regulated advice.

Our view is that any generic advice service should not restrict itself to enquirers seeking financial advice as the public need is for a source of accurate information rather than advice.

As for the business of regulated advice providers, our experience is that they benefit as many enquirers end up seeking their services which they would not have done but for us pointing them in that direction.

**CS1.** For us it is important that our service is free. The only cost to the consumer is that calls are charged at local call rates. This does not apply to those who choose to use mobile phones as their provider will charge full normal rates.

**CS2.** We could not support such a case.

**CS3.** One measure would be the extent to which people make better financial decisions. Another would be the extent to which financial capability could be shown to improve as a result of the service (possible by reference to the FSA baseline study). Finally there is the extent to which the overall saving ratio increases.

One of the problems with any of these measures is attributing progress to the advice service rather than other initiatives. We carry out continuous satisfaction surveys which also ask the enquirer if they have taken any action as a result of the call. Such surveys could have questions which would help in the assessment of the effect of the service.

**CS4.** Three groups would possibly benefit. The investment and insurance world would benefit from increased saving. Also the costs of acquiring much of that business will be less, particularly to the extent that it is into regulated products that have a lighter regulatory regime to comply with. The IFA world would also benefit in business referrals. A charge on all these sectors could be made by an increase in the levy they currently pay to the FSA.

A further beneficiary would be the exchequer in the saving in benefits which is likely to result. Therefore it seems fair that part of the cost should come from the Government.

**CS5.** No comment.

**DS1.** Saving may need to be made financially more attractive through the tax system. The mechanisms through which people can improve their financial capability must be widespread and easily available. This would suggest the internet, radio and television.

Accompanying all of this will have to be an advertising campaign aimed at persuading the public of the value of improving one's own financial capability.

**DS3.** An analogous campaign was the one to encourage those with literacy and numeracy problems to avail of the services aimed at helping with these problems.

**DS4.** The vast majority of those who access our helpline do so to satisfy a specific perceived need. Sometimes we are able to inspire that need. This is usually done through our web site or TV or radio. In all 3 media the way we do this is the same. We deal with an issue, e.g. trivial pensions, which we think will apply to the readers, viewers or listeners. We then get lots of enquiries from those who believe the issue applies to them.

**DS5.** It might be possible to do this in the workplace so long as it is in the employee's time rather than the employer's. Otherwise, it is likely that the delivery resources would only be available in large cities, possibly in the premises of CABs, Pension Service offices or Job Centre offices.

It may be possible to have video links to these centres and to the helpline.

**DS6.** We are not convinced that the case for this happening has been made. The case that appears to have been made is that the relevant sector of the public ought to have this need and, if it did, an advice service will have beneficial effects. We accept that it will be possible to generate some need through advertising and promotion.

**ES1.** Overall responsibility should lie with a new delivery authority but actual delivery should be through existing organisations with the necessary skills and experience. Many of these organisations may need expanding to meet increased demand but we believe that is preferable to introducing a new organisation at the expense of the expertise that already exists. There may a need for a new organisation to plug gaps that currently exist.

**ES2.** The delivery organisations should report and be accountable (financially, performance, targets etc.) to the delivery authority which in turn would be accountable to the appropriate Secretary of State.

**ES3.** If existing bodies are not incorporated into the new service, many are likely to cease to exist. If, however, they become the delivery bodies, they must be fully responsible to the Delivery Authority for the service they provide to the Authority. The delivery organisations would still retain their own identities, particularly if they performed other functions.

**ES4.** Charges to the financial industry could be made through the FSA levy and then the relevant element would be passed on to the Authority. Government funding would come direct from the appropriate department, presumably the Treasury.

## **Operational Issues**

**AO1.** We provide advice on any aspect of pensions, occupational, personal and state. On state pensions, advice could be around deferral of state pension, payment of voluntary contributions etc. On occupational pensions, the most common areas of advice are trivial pensions, cash commutation, making transfers, buying an annuity and making additional contributions. The main areas for advice on personal pensions are; types of scheme, buying a pension, income drawdown, trivial pensions, how much to contribute and types of investment.

**AO2.** By the web, a national telephone helpline and talks on pension provision and retirement planning to employees in the workplace.

**AO3.** See the answer to AS2.

**AO4.** We are funded by a grant from the DWP. Each year we submit a business plan to the DWP. Our bid for funding is part of that business plan. Our bid is included in the DWP's bid. The treasury, through TPR, collects a levy from all occupational and personal pension plans. This levy is supposed to cover the costs of TPR, the Pensions Ombudsman and TPAS.

In addition we have the free services of our volunteers which is valued at an annual cost of approx £10 million.

**AO5.** The present organisation came about as a process of evolution. We began in 1983 as a voluntary organisation whose function was to help those with disputes concerning their occupational pension scheme. At that time there was no pension ombudsman service (this came about in 1990) and nowhere for people to turn for help other than the law. Legal advice is expensive and most solicitors have little pensions knowledge.

In 1987 all occupational schemes and, in 1988, all personal pensions providers were required to advise their members about our existence and how to contact us. This caused people with enquiries as well as those with complaints to contact us. As the number of enquiries grew, so our Helpline formalised. In 1998, we included state pensions in our information and advice remit so as to become the sole one-stop national helpline on pensions.

In late 2005, in response to the FSA's financial capability initiative, we decided to expand our service by using our volunteers to give talks to employees in the workplace.

**BO1.** Our market is everyone in the UK who has a pension complaint or dispute or wants information and guidance with regard to any aspect of pension, occupational, personal or state. We target those with disputes or complaint through information provided to all members of occupational and personal pension schemes by their trustees or scheme providers. Also, as part of the procedure for dealing with disputes

by trustees of occupational schemes, the complainant must be told about TPAS and the help we can provide.

Other ways of getting to our target audience for enquiries are: our web site, referrals from other web sites, referrals from other bodies such as the Pensions Service, FSA etc, occasional participation in radio and TV programmes and having our contact details included in newspaper articles. We also have our contact details included in as many relevant places as possible, e.g. it is contained in the statutory money purchase illustrations that go each year to everyone in a defined contribution pension arrangement.

**BO2.** In the year to 31 March 2007, we dealt with 54000 calls to our helpline and answered 8000 written enquiries. We also had 170000 people make a total of 404000 visits to our website.

19% of our enquiries concerned clarification of the caller's pension entitlement, 15% sought information about some aspect of their rights and 17% of our queries are about the state pension scheme.

Only 8% of our enquirers are seeking generic financial advice. The main subjects on which people sought financial advice were contracting into or out of the state second pension, the advisability of transferring out of an occupational or personal scheme, buying annuities, taking the entire pension fund as a lump sum under the trivial pension rules, whether or not to pay voluntary National Insurance contributions and whether or not to defer taking state pension in order to get a lump sum. In the case of the latter 2 questions, these are subjects that IFAs would normally not advise on. IFAs tend not to have much knowledge of the state system and they do not tend to deal with clients for whom state pensions are an important part of their retirement income.

**BO3.** We do not turn anyone away who has a pension query. If we don't know the answer, we will find it out. We might direct them on somewhere else if they are requiring specific information on their own entitlement such as advising them to get a state scheme forecast or a statement of benefits from their pension scheme or provider. Otherwise we believe we can satisfy most peoples need. In spite of our advice, some will still want regulated advice and we will direct them accordingly.

**BO4.** We do not operate in this way. All calls are handled by trained and knowledgeable operators.

**BO5.** We only refer on where the other body holds information we do not, e.g. state scheme forecasts or scheme provider. Otherwise we will make the contact on their behalf, find the information they seek and ring the caller back.

**BO6.** We keep comprehensive information on the nature of the enquiry but not on the enquirer. We only run occasional surveys on callers.

We also keep statistics on our performance in agreement with the DWP as part of their stewardship role.

**BO7.** We carry out continuous customer satisfaction surveys on all aspects of our work, helpline, written enquiries and complaints. We also have throughput standards that are measured monthly. We record all calls and each operator is regularly reviewed. Work is also subject to peer reviews.

We have a comprehensive Q&A which everyone is supposed to consult. At present we are using new software which will allow us to map out a full conversation. This will be particularly useful for instances where there is a request for generic financial advice as it works in a similar manner to a decision tree with the ability for us to map out all the information a caller needs to know to make the decision in question. Through this software we will be more able to standardise our responses to specific questions.

**BO8.** We carry indemnity insurance but have never had to make a claim.

**BO9.** All of our technical training is in-house. It is devised and delivered by ourselves. Training is a mix of formal courses and informal learning through a process of passing on of anything new that someone finds out.

**BO10.** Our volunteers are unpaid other than legitimate out of pocket expenses.

**BO11.** Our volunteers are recruited from the pensions industry and are expected to have a relevant professional qualification, i.e. lawyer, actuary or APMI, together with at least 5 years pensions experience. Those without a qualification need to have a minimum of 10 years experience. Similar standards apply to staff.

**BO12.** We have a network of formal and informal links.

**CO1.** We have a team of volunteer advisers who work on the helpline. They are subject to the same training and performance standards as the staff. They normally only work one day per week. They tend to work the same day each week.

There is a staff team who are on the helpline every day. In addition there is a further staff team, the members of which work on the helpline once or twice a week according to demand and availability of others. If all available operators are engaged, an alarm sounds which requires all those not logged on to become available for any new callers.

There is a manager who constantly monitors the efficient working of the helpline. He is also responsible for the quality standards of the helpline.

**CO2.** Our grant for the current year is £2.4 million.

**CO3.** As previously explained, the existing operation has evolved over many years.

**CO4.** Last year 170000 people accessed our web site and made 404000 visits. 54000 people rang our helpline and we dealt with 8000 written enquiries. We also dealt with 7000 written complaints and disputes, resolving 90% with the balance going on to a relevant ombudsman's service.

**CO5.** Our web site, as with all our services, is free.

**CO6.** All calls are answered within 1 minute, with 99% answered within 30 secs. The average length of a call is about 5 to 6 minutes.

**CO7.** As previously stated, our funding is from a grant-in-aid. All services are free.

**CO8.** This has never been quantified.

**CO9.** Not relevant.

**CO10.** The only measure we have is our satisfaction surveys. In the surveys relating to our helpline, we ask if the caller has acted as a result of the advice or information received. About 50% act on the basis of our advice or information.

**DO1.** None

**DO2.** We do not advertise. We have found that advertising brings interest in the service which is short lived. A mention on a TV program with our helpline no being displayed will lead to an increase in calls for that day only.

**DO3.** See response to AO5.

**DO4.** The number of callers to our helpline over the last 8 years was:

Year	No
1999/2000	22175
2000/2001	26859
2001/2002	35874
2002/2003	49396
2003/2004	52667
2004/2005	55231
2005/2006	56691
2006/2007	53679

**DO5.** Our surveys tell us the 50% act on the basis of our advice or information.