

# An emphasis on trust, an opportunity to empower

**Transact's response to the Thoresen Review of Generic  
Financial Advice**

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## Executive Summary

Transact members warmly welcome the Thoresen Review on generic financial advice and this special opportunity to present their views on the issues raised in its call for evidence.

We believe that a generic financial advice service, improving on the current provision of non-regulated financial advice, has the potential to help consumers take real control over their financial situation. Empowering consumers, building their confidence and helping them make better financial decisions is as important for a new advice service as helping individuals in crisis seek help.

Transact members believe that this initial look at a new service is a good start. However, members would expect to have a further opportunity to use their experience and expertise to help the Review to assess what impact different potential models for a future service might have once they are developed. In general there are certain features which members want to see in any new generic financial advice service and feel the Review should keep in mind in taking its work forward:

- **An emphasis on trust** – the effectiveness of current advice services relies on building trust between advisors and those being advised. Face-to-face advice can build that trust in a way that is difficult to achieve through other delivery methods, but can be delivered in new and innovative ways;
- **Meeting people half-way** – services should be flexible and go where they are needed, e.g. home visits, video conferencing in community centres, placing service in Sure Start centres;
- **Keep the doors open** – anyone can find themselves in financial difficulty and everyone needs the confidence to manage their own financial situation. Current services are open to anyone; any new service will need to do the same;
- **A clear relationship** – there are potential difficulties in seeking to link access to trusted financial advice and assisting clients in acquiring particular financial products. The Review needs to consider these risks carefully to ensure links are not directive, or create a financial ‘hand-holding’ service;
- **Advice from a trusted friend** – building a service that becomes a household name and overcomes the current stigma attached to accessing financial advice will be key to the success of any new service;
- **Build on foundations** – there are already some very effective organisations making a real impact in their communities, any new service should look to incorporate and build on these valuable trust-based relationships; and
- **Be bold, start young** – a strong brand, innovative thinking on access and a focus on reaching the young to instil good financial habits will deliver a service that empowers individuals, prevents financial problems and improves financial capability.

## Introduction

Transact is the national forum for financial inclusion, a movement of over 1000 organisations and individuals dedicated to practising and promoting financial inclusion for the benefit of individual people experiencing hardship and poverty as a result of financial exclusion.

Transact's current membership reflects this diversity with members drawn from across the UK, representing organisations including advice agencies, banks, community and voluntary organisations, funders, central and local Government, housing providers, third sector lenders, policy makers, private companies, social enterprises, training and employment agencies and other organisations.

A diverse cross section of Transact members have contributed to this response, predominately small practitioners with little knowledge of the Thoresen review itself but a massive amount of relevant experience and critical knowledge of the issues which a generic financial advice service would face. Please see the appendix for more detail on our sample.

This response focuses on a subset of questions contained within the Review's call for evidence which, in consultation with HM Treasury and Transact's advisory working group, have been adapted and re-ordered to allow for greater clarity of purpose; it centres on the operational issues highlighted by the Review as it was here that members felt they could offer the most constructive advice.

### **AO1 What advice service are you or your organisation responsible for delivering (this needs not be generic financial advice)?**

Transact has a diverse membership which incorporates both organisations providing dedicated advice services and organisations working closely with advice-giving organisations, for example through client referral. Included within its membership are a number of community partnerships which bring together different organisations within a particular community such as banks, local authorities, Citizen Advice Bureaux, credit unions, registered social landlords, housing associations and other third-sector organisations co-ordinating and developing services for financially excluded people within their community.

The majority of Transact members provide some form of basic financial advice. Clients are able to access advice on:

- debt and budgeting ;
- benefit applications and income maximisation;
- financial literacy and capability;
- literature and information on specific financial services (such as pensions); and
- business finances, targeted towards the Small and Medium Enterprise (SME) end of the spectrum (especially ethnic minority SMEs).

There are also numerous other non-financially related advice services which Transact members deliver in their communities:

- legal advice covering areas such as housing law, employment law, family law (which can also include, in some cases, provision of legal representation);
- crisis intervention (for instance in cases of eviction) and creditor negotiation;
- skills, education and health advice; and
- broader consumer advice.

## **AO2 How is your advice delivered (e.g. face-to-face, web-based or telephone)?**

The overwhelming majority of members provide their advice service to clients face-to-face. The perception is, and there is some evidence to suggest this, that face-to-face contact is especially effectively in developing trust and rapport with clients. Members feel this trust is absolutely crucial for delivering effective financial or legal advice services.

In most cases clients travel to organisations to access the services they require, however in rural areas there have been real efforts to develop more 'travelling' advice services. The focus has been to make use of established 'community centres', such as Sure Start centres, placing services in popular community spaces. In addition 'home visit' services have been developed to enable those unable to travel equal access to advice.

Advice services conducted over the telephone are limited to the most general of advice and, in members' experience, usually require a follow-up face-to-face appointment. Whilst online resources are growing, limited resources mean that these are predominantly aimed at increasing access to information, rather than providing real advice. Leaflets still represent a relatively easy and effective way of distributing information, especially as they are seen as an unobtrusive way of leaving information in a variety of places where potential users of advice services may visit.

Members were also able to highlight some real efforts at innovation in reaching clients and delivering advice to them. A particular example of this is the use of computer video conferencing facilities in Oxfordshire. Placed within rural community centres this new growing service has enabled clients to access legal advice services from a variety of locations rather than one office. Benefiting from local authority backing, these facilities also allow important documents to be faxed directly to the solicitor advising their case enabling clients to access legal advice without having to travel large distances to see a solicitor in person.

## **BO1. Who is your target market, and how do you target them?**

Members provide services to those who are financially excluded, including those on low incomes or unemployed. A number of organisations have ensured access by carefully locating their organisations in areas of high deprivation. There is some targeting of services towards specific groups (for instance the elderly, the young, those recovering from drug or alcohol problems or single-mothers and carers); however most members were clear that their 'doors are always open' to clients from a mixture of backgrounds, facing a variety of challenges.

Members felt that the widely-held perception of a 'typical client' (financially deprived, reliant on benefits, lacking in skills and education, unaware of their rights or unused to accessing

services), encourage people to ignore the fact that anyone can find themselves in situations which they are unable to deal with themselves. A number of organisations spoke of middle- to high-earning clients who had found themselves in financial difficulty and had sought access to free advice services.

The issue of reaching people considered 'hard to reach' was mentioned again and again by members, accompanied by the need to combat what they identified as the 'embarrassment factor'. Linking different advisory services together often made it possible to identify other problems. Members noted that frequently people built a relationship with a particular organisation, and were then able to access further services for potentially unrecognised needs.

Members showed themselves willing to try a variety of different methods to increase financial capability amongst their target groups. These included working with schools to reach the young, and indirectly their parents, placing information about services in doctors' surgeries, libraries, town halls, credit unions and housing associations, using leaflets and posters. Local media, newspapers and radio were also used to advertise services and highlight successful case studies. Placing their services within community centres and other community organisations also proved effective in reaching the people who used those community spaces.

Although a number of members mentioned their use of websites, it was generally argued that this was only successful if clients already knew the services they wanted to access or if the services were mentioned on websites that clients already used, for instance library websites. As previously mentioned online resources were mainly focused on information rather than advice.

Members felt that 'word of mouth' recommendations from satisfied clients, as well as referrals were a key way of reaching those most in need of their services. These could be from trusted family members (who had maybe access the same services, from the same organisation themselves), councillors and doctors or from other organisations such as Citizens' Advice Bureaux.

#### **DO5. Do you have information about what your customers do as a result of your advice?**

The vast majority of members we spoke to did not maintain detailed information about what clients did as a result of the advice they were given. In most cases this was either because of a lack of capacity, or due to the fact that the client relationship would frequently be on-going, the iterative nature of intervention making data collection too time consuming.

Where information was available this was due to a specific requirement, e.g. Legal Services Commission requirements for access to legal aid, or the need to monitor negotiated creditor settlements.

Most organisations acknowledged the need to develop better monitoring systems to identify how their advice was used by clients. However there were fears that such systems might quickly become burdensome and bureaucratic unless appropriately designed.

**BS4. What should be the context of generic financial advice? Which subjects should be included / excluded?**

There was a genuine diversity of views in response to this question. However, there was unanimous agreement that topics such as debt, benefits and budgeting advice would be essential.

Other subjects were variously mentioned as possible topics for inclusion: mortgages and housing, insurance, sensible borrowing, pensions advice, etc. The general indication was that this service should provide advice on 'everyday' financial services.

In general members felt that it was too difficult an exercise to pick out particular services which they would identify as being inappropriate for such a service, because of the huge range that might be included. Members felt first, the overarching aims of the service should be defined, in order to generate criteria for inclusion. These criteria would then inform a decision on the suitability of a subject within such a service. Criteria would also ensure that as the service developed appropriate new subjects could be included as required.

A strong caveat to this is that advice could not in any way 'sell' particular products to clients. Advice would need to be clearly identifiable as independent, only intending to help clients make their informed decisions and become aware of the relative risks.

Broadly members felt that subjects should be included where they clearly enabled clients to take control of their own financial situation. It was felt that clients should come away from such a service empowered and more confident in making their own financial decisions. Many members highlighted the need to raise clients' awareness of the dangers of certain financial products such as door step lending, pay day loans, etc. Ultimately members pointed to a strong educational element which they saw as necessary in such an advice service.

**BS1. What groups should generic advice aim to serve?**

**BS2. Are there groups it should not aim to serve? How might they be excluded or steered away?**

(We have combined our response to these questions.)

Members overwhelmingly felt that it was fundamental that such an advice service should not be exclusive but should be accessible by all. This was seen as key to ensure its success and its reach. Such a service should not therefore seek to exclude anyone or any particular group. To be effective this would also require a concerted effort to ensure that such a service did not develop the usual image that often accompanies organisations offering 'money advice'. The social stigma that can accompany accessing such services was identified as a clear barrier to greater take-up.

A number of members felt that excluding certain groups would be counter-productive and that overly targeting services would divert energy and resources unnecessarily.

However some groups were identified as having a particular benefit from more financial advice and better access to services and so deserving of focused attention. These groups

include those living in areas of high deprivation and the financially excluded, ethnic minority groups and those living in rural areas (where travelling to access services might prove prohibitive).

#### **BS6. What organisations and services should or could be expected to refer people to generic financial advice?**

Referral can take many forms. It was felt that a formal referral system would strike the wrong balance in compelling people rather than empowering them.

However, the general feeling amongst members was that the broader the base of organisations able to direct individuals to financial advice services the better. Members pointed to numerous statutory bodies, community groups and voluntary organisations able to fill this role. Employers were even mentioned as potential sources of referral in that they could provide information to help new employees access advice on certain relevant services.

In general, organisations already in contact with members of the public and who provide service that the public regularly use could effectively refer and pass on information to potential new users of a generic financial advice service. Health organisations were singled out especially with the recognition that financial problems can often lead to health problems and stress.

Members strongly felt that creditors and financial institutions should have a clear duty to facilitate contact with organisations offering generic financial advice where people were clearly at risk of developing financial problems. A strong commitment to such partnership work would show commitment to the provision of responsible financial services.

Members were also quick to realise that individual organisations providing generic financial advice may be unable to offer sufficient expertise in all areas included within this service financial advice and so should also be able to refer to other organisations to meet that shortfall.

#### **BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?**

Members were generally sceptical of creating a relationship which could potentially blur the difference between organisations which provide advice and those who provide financial products. Members indicated two main objections:

Firstly, it was felt that their role as trusted and independent advisors was essential, key to success and should be unambiguous. Any relationship which had the underlying effect of directing people from advice services to identified fee or commission charging product providers could risk that trust and independence.

Secondly, members were wary of being seen to take a role that might make them liable for subsequent failed financial decisions. The overriding role of advice services should be to empower clients to make their own financial decisions and build-up individuals' confidence to

conduct their own financial affairs. Some members saw nothing wrong, in principle, with providing clients with a list of trusted providers; nevertheless, members wanted to ensure that they did not get into a situation where they were 'hand-holding' clients in their dealings with these providers. Hand-holding is not desirable.

**BS10. How would the creation of a new generic financial advice service materially affect advice providers?**

Without a clearer idea of what kind of service the Review had in mind and how it would be organised, this question was regarded as essentially meaningless. Most members were optimistic that a new service, if properly conceived and organised, would (at minimum) have the effect of relieving the pressure currently experienced by existing services. Members felt that it was key that any potential service should help to drive up standards and encourage growth amongst current service providers.

The main area of confusion was whether or not the Review's starting point was that of a service set-up in direct competition with current providers. There was a strong belief that if a competitive model was being considered by the Review then it risked losing invaluable expertise and experience, especially if the resultant service continued in the same mould as existing government/government-funded, provision. Some members saw potential benefits in creating an environment where the best providers (not necessarily seen as the largest advice providers but rather those that best meet the needs and requirements of the communities they serve) could grow and expand.

Members felt that more detail was urgently needed to ensure that any resultant service would not become too general and superficial. Members were clear that future demands would necessarily mean that any new system will need to build on the work of existing providers and incorporate sufficient resources to enable growth.

Members strongly believed that the impacts on current providers should be considered further once the Review was clearer on the objectives and structure of a potential new service. It was felt that members could use their experience and expertise to further advise the Review once it had developed a range of detailed potential service models.

**ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?**

There was genuine disagreement amongst members in considering this question. Whilst some providers instinctively preferred more regional and local control and delivery, this usually stemmed from general doubts about centralised Government provided or funded bodies having the ability to deliver quality services consistently.

Some members were quick to point out that a central body providing national direction might be better placed to drive up standards, develop good practice and oversee regulation, and that without this, regional variations in quality might be exacerbated rather than addressed. There was no immediate objection to this being an existing organisation though it was felt

that this would very much depend on the organisation being put forward. A role was also identified for regional bodies co-ordinating and monitoring local services in order to reduce potential overlap and inefficiency.

There was general enthusiasm for the creation of a new service incorporating a new brand which would deliver extra focus and awareness. However it was clear that although a new service would be welcome, members felt that it would need to incorporate existing providers. Current providers had a valuable role in being used as a catalyst for improvement.

The Review should enable current providers to consider the possible organisation of a new service at a later date and to comment on possible configurations in service design and oversight structure conceived by the Review when appropriate.

**DS1. How can consumers be encouraged to improve their financial capability and take an interest in their personal finances?**

Part of the difficulty identified by members was the apparent stigma associated with accessing 'money advice'. Individuals who access services do so because they find themselves in difficulty and believe that these services are entirely focused on helping people solve their financial problems. They feel embarrassed and sensitive about being seen to have 'money problems' and this can frequently hinder their resolve to access advice until desperation or events force them to make contact. To be successful in the future members felt that services overall should rebalance their focus on proactive planning and prevention, rather than solely on problem solving and crisis management.

Members also felt that the key to increasing financial capability was to remove this stigma, to portray generic financial advice services as about improving individuals' control of their financial situation as much as dealing financial problems. Strong branding and communications were identified as being necessary to build a service that was identified with and viewed as 'trusted mate' who could be approached for advice on how to improve financial situations as well as how to solve their financial problems.

Ensuring proper financial education in schools at an early stage was seen by members as crucial in staving off future problems, with a further key benefit of children being able to influence their parents. Starting early with the background of primary and secondary education and continuing with exposure to good financial skills all the way through to university was seen as the most logical way of instilling the information and skills necessary for individuals to build and maintain good financial capability. For example teaching young people the benefits of good financial skills would encourage them to take up savings earlier and ingrain good financial habits.

**DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?**

There was no consensus amongst members as to which mechanisms would work best. The full variety of media outlets from TV to online news sources, both local and national, were raised as useful outlets for information about services.

Nevertheless there was some consensus that to be effective, mechanisms should reinforce one another and utilise targeted outreach strategies. Members felt that a new national advice service would require a national engagement campaign, reinforced locally, to set the tone of the service, establish it in the public's consciousness and establish a household name. To that end a strong bold brand identity would be required which members felt should emphasise trust and what the service could deliver.

Some members felt that to be effective and reach those at risk, any campaign would need to compete with or mirror those used by those offering financial service, for instance the use of daytime television by those offering debt consolidation services. The utilisation of the popular press and magazines was seen as a necessary and obvious component.

Members were agreed that any campaign would need to be regularly monitored and adapted to ensure that it was kept current and effective.

**DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?**

Members felt that any service should be flexible to the needs of potential clients. Any service should, in the majority, meet its audience 'half-way' by placing its advisors in popular locations benefiting from an already high 'foot-fall' by the public. Doctors' surgeries, community centres, schools, libraries, etc. were all mooted as typical locations where they would expect to see advice services offered. Creating effective 'shop fronts' within these locations was seen as a possible way to encourage potential clients to 'self-refer'.

A new service would also need to build on current provision delivering home visits for those unable to travel.

Some members felt that a new service should cast its net wider and be bolder in reaching potential clients. It was felt that more information about the structure and nature of the new service was needed before considering where it should be located. Transact members look forward to commenting further, if appropriate and possible, on more fully developed generic financial advice service models.

## Appendix A

Transact members who contributed to this response:

- **MINT (Money Information Network Tameside)**
  - MINT is an alliance of a number of organisations, including housing providers, credit unions and public bodies, all based within the Tameside area, of east Manchester.
- **Precious Online**
  - Precious Online is the interactive magazine and network aimed at Women of Colour in the UK.
- **Money Advice Support Team**
  - Money Advice and Community Support Service (MACS) is a registered charity based in Sussex. MACS provides financial capability advice to people in Sussex who are having difficulty managing and it has been operating since 1872.
- **Community Money Advice**
  - Community Money Advice works with churches to provide budgeting and debt advice to their local community as well as supporting and resourcing churches already actively involved. CMA is based in the Midlands with centres nationwide.
- **Advice Link**
  - The Advice Link Network is a Partnership of different organisations who provide advice in Blackpool, including financial capability and debt support.
- **Goole Development Trust**
  - Goole Development Trust is a small scale social enterprise whose aims are to further the economic, environmental and social regeneration of Goole and its surrounding areas
- **Granby Island Community Centre**
  - The Granby Island Community Centre is a social enterprise serving the Plymouth area that has taught more than 400 people either literacy, numeracy or computer skills.
- **The Social Welfare Network**
  - The Social Welfare Network (SWN), is a not for profit, Community Interest Company (CIC) serving Oxfordshire. It aims to provide high quality, independent legal advice via online video conferencing (webcam).
- **Knowsley Money Advice and Budgeting Service**
  - Knowsley Money Advice and Budgeting service is a service provided by Knowsley Council in Merseyside.
- **South Hampshire Community Banking Partnership**
  - The South Hampshire Community Banking Partnership works to increase access to, and improve co-ordination of, financial advice and support.

- Debt Redemption and Money Advice Scheme
  - The Debt Redemption and Money Advice Scheme is run by the Wales Co-Operative Centre and serves its membership of Welsh credit unions.
- Prospect Community Housing
  - Prospect Community Housing provides and manages 888 homes for rent in Wester Hailes, Edinburgh.
- King George Bootle Community Credit Union
  - The King George Bootle Community Credit Union is a Community Bank, serving the Edinburgh area.
- Fife Financial Inclusion Unit
  - The Financial Inclusion Unit of Fife Council.
- Comhairle Nan Eilean Siar
  - The Western Isles Council.
- Help the Aged
  - Help the Aged is an international charity fighting to free disadvantaged older people from poverty, isolation and neglect.

## Appendix B

### About Transact

Transact is the national forum for financial inclusion, a movement of over 1000 organisations and individuals dedicated to practising and promoting financial inclusion for the benefit of individual people experiencing hardship and poverty as a result of financial exclusion.

This national initiative was developed to promote best practice, support cohesion across the financial inclusion sector, as well as to raise awareness of the need for the expansion of financial inclusion work within other sectors.

Transact acts as a resource for practitioners in the first instance but also facilitates links with policy-makers, influencers, funders, Government, the financial services industry and other associations to support shared thinking and common goals for financial inclusion as well as to proactively promote a diversity of solutions.

Transact's key objectives are to:

- promote best practice and facilitate cross-sector learning for organisations working towards financial inclusion.
- provide a vehicle for sending and receiving 'messages' to and from trade associations, Government, policy makers and implementers, industry and grass roots organisations, to improve the way services develop for financially excluded groups of people.
- bring cohesion to the financial inclusion sector by providing an environment where activities can be more easily co-ordinated by members.

Transact is an original initiative of Toynbee Hall's Adult Advice and Education service.

For more information, please see our website [www.transact.org.uk](http://www.transact.org.uk), or contact us at [transact@toynbeehall.org.uk](mailto:transact@toynbeehall.org.uk).