



## **OTTO THORESEN SETS OUT RECOMMENDATIONS FOR A NATIONAL MONEY GUIDANCE SERVICE**

Otto Thoresen has today published the final report of the Thoresen Review of Generic Financial Advice. The report sets out a high-level blueprint for a national money guidance service to provide the people of the UK with the knowledge, understanding and confidence to make better decisions about money issues. It recommends that the service should offer a combination of telephone, Internet and face-to-face guidance.

Otto Thoresen said:

“I believe that good money sense needs to be as much part of people’s lives in the twenty-first century as healthy eating and keeping fit. “Money Guidance” will help people deal with the money matters that shape their everyday lives – budgeting their weekly or monthly spending, saving and borrowing, insuring and protecting themselves and their families, retirement planning, and understanding the technical language that we in the financial services industry too often use.

“People have told us that they want and would act on this guidance. In research we commissioned 75 per cent of people surveyed said they would use a “national information and guidance service for personal finance issues”. Of these, over 25 per cent felt that they would be very likely to use this service. And evidence from our practical prototypes suggests that eight out of ten participants took at least one action within a week or so of using the service. Over half of these took specific action, such as buying a new product or speaking to a regulated adviser.

”My report sets out how a national money guidance service could transform people’s lives as well as bringing substantial benefits to the industry and Government. Its recommendations to the Government set out a vision for how the service could be delivered.”

The Report makes the following recommendations:

- A national Money Guidance service should be governed by the principles of impartiality, supportiveness, crisis prevention, universality, and should be sales-free.

- Money Guidance provided by the service should focus on giving people information and guidance on budgeting, saving and borrowing, protection, retirement planning, tax and welfare benefits, and jargon busting. It should stop short of recommending specific products.
- The most appropriate way of delivering a money guidance service is a partnership model, with a central body to direct the strategy, set standards and deliver some services, but with much of the service actually delivered by accredited partner organisations which could include those who already do such a good job helping people with their money.
- A UK-wide approach to Money Guidance should be delivered using a multi-channel approach – telephone, face-to-face and web-based service.
- Money Guidance would need a new brand which encapsulates the principles of the service, most notably that the service is “on my side” and is “sales free”.
- The marketing strategy for Money Guidance should be multi-faceted, to appeal to the different groups the service needs to reach. This should encompass national and regional marketing campaigns and engagement activities; trusted intermediaries; and social networks and viral marketing.
- The Financial Services Authority (FSA) should take forward the national Money Guidance service project.
- In view of the real benefits that would be delivered by a national Money Guidance service, the costs of providing the service should be equally split between the Government and the financial services industry.
- The industry’s share should be raised via a levy, with contributors drawn from firms regulated by the FSA, consumer credit firms regulated by the Office of Fair Trading, and National Savings and Investment.
- To ensure that the national Money Guidance service can be up and running as soon as possible, the Government should set up a regional pathfinder service as soon as it has had the opportunity to consider this report. The Review believes a large-scale pathfinder that enabled the report’s recommendations about the service to be thoroughly developed and road-tested should last around two years and would cost around £10-12 million.

- The Review recommends that the pathfinder should build upon the protocols the Review developed for its two prototype services, including their definition of the boundary between the service and regulated advice.

In making its recommendations the Review draws on a wide range of evidence and consulted widely with stakeholders. In particular it draws on the results of two prototype Money Guidance services commissioned following its Interim report.

Otto Thoresen said:

“Partnership should be at the heart of a Money Guidance service. This would allow the service to build on the expertise of existing organisations who provide help and advice to the public and are able to reach out to people in ways and places that are convenient to them. I have spoken to many such organisations over the past year and I know that they are keen to help.

“I considered whether an entirely new organisation should be set up to run Money Guidance, but concluded that in the short to medium term the FSA should take this forward. I believe it makes sense for this important initiative to be led by an organisation that is recognised as a world leader in financial capability.”

## **NOTES TO EDITORS**

1. The Thoresen Review was announced in January 2007 by the then Economic Secretary to the Treasury, Ed Balls MP, as part of the Government's long-term approach to financial capability. Its remit is to research and design a national approach to Generic Financial Advice (GFA).
2. The Review's terms of reference were:
  - To determine a range of models for achieving greater access to generic financial advice on a national scale, taking account of future developments in financial services markets and, in particular, personal accounts. To include recommendations on:
    - the most effective way of serving different groups of consumers, ensuring effective targeting of those most vulnerable to the consequences of poor financial decision-making, including a telephone-based point of contact and the potential for additional face-to-face services;
    - protocols for advice, acceptable to industry, the regulator and the third sector;
    - accreditation, quality control and the boundary with regulated advice;
    - branding, marketing and supporting demand through the development of an appropriate advertising campaign;
    - overall costs and assessing long-term benefits;
    - options for funding that reflect the benefits to all stakeholders of increasing financial capability over the long-term; and
    - institutional arrangements and governance.
  - The Review published an interim report in October 2007 which is available on the [\*\*Thoresen Review website\*\*](#).
3. To help inform its recommendations, the Review commissioned two prototype Money Guidance services, which operated over Autumn 2007. In the north-west of England, a consortium led by Consumer Direct delivered Money Guidance over the telephone, with F2F Money Guidance delivered in four Citizens Advice Bureaux. Both offered Money Guidance under their existing brands. In London, Staffordshire and South Yorkshire, A4e, a private sector provider/contractor of front-line public advisory services such as Legal Services Direct, delivered both telephone and F2F Money Guidance as "Money Fitness". Both prototypes delivered web-based Money Guidance using a single page under their own brand with links to the FSA's MoneyMadeClear web pages and other sites – for example, The Pensions Advisory Service.

4. The Review's final report says the evidence shows that changes in behaviour brought about by Money Guidance would bring about significant benefits for:

- **Consumers** – through better budgeting, management of debt, “Shopping around” for financial products, saving for retirement, increased take-up of protection products – life insurance and other insurance products. The review estimates the net money value of this for consumers at over £15 billion Net Present Value (NPV)<sup>1</sup> in 2008 prices. There would also be benefits from improved health and well-being as a result of reductions in financial stress
- **The Financial Services Industry** – through fewer bad debts; a larger pool of more credit-worthy potential customers who are more willing to engage effectively with the industry; a reduction in advising, selling and acquisition costs; and better relationships with customers leading to a reduction in the cost of handling complaints. There would also be some costs as customers shop around more, and from a contribution to funding the service. But the Review estimates that quantifiable benefits to industry significantly outweigh quantifiable costs.<sup>2</sup>
- **The Government** – through reductions in payment of Pension Credit in the long term, and other impacts on tax and benefits. There would also be some costs, principally from a contribution to funding the service and from possible. But the Review estimates that quantifiable benefits to Government significantly outweigh quantifiable costs.<sup>3</sup>
- **Society as a whole** – through the knock-on benefits of reductions in stress caused by money worries. These could range from improved productivity through reduced stress-related absenteeism to reductions in public expenditure attributable to the consequences of family breakdown.

These benefits are based on cautious estimates of the number of people acting on the guidance they receive.

4. The Review believes the service should be available for the whole population, and that it will appeal to a broad cross section of the population throughout their lives. The people who could benefit from the service could come from all walks of life and income groups, although those who could most benefit are younger than average.

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<sup>1</sup> Net Present Value means here the cumulative discounted value over the period 2009 to 2060 expressed in 2008 prices.

<sup>2</sup> Estimated costs are in the range £390-£832 million NPV; estimated benefits in the range £3,612-£5,514 million NPV.

<sup>3</sup> Estimated costs are in the range £390-£839 million NPV; estimated benefits in the range £4,650 – £6,000 million NPV.

6. The Review believes people will most want to use the service at important life events such as:
  - starting work;
  - buying a house
  - having a baby;
  - wondering what will happen to their finances after a divorce;
  - approaching retirement
7. The Review's final report and annexes are available on the [\*\*Thoresen Review website\*\*](#) together with other documents relating to the Review.
8. [\*\*"Financial Capability: the Government's long-term approach"\*\*](#) can be found on the HMT website.
9. Media enquiries should be addressed to Zoe Anderson, Treasury Press Office, 020 7270 5592.
10. Non-media enquiries should be addressed to the Treasury Correspondence and Enquiry Unit on 020 7270 4558, or by email to [\*\*public.enquiries@hmtreasury.gov.uk\*\*](mailto:public.enquiries@hmtreasury.gov.uk)
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