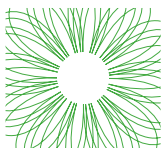


Thoresen Review of Generic Financial Advice: Call for Evidence

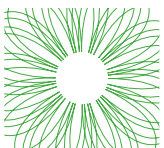
March 2007



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of Generic Financial Advice

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BACKGROUND

In January 2007, the Economic Secretary to the Treasury invited Otto Thoresen, Chief Executive of AEGON UK, to research and design a national approach to generic financial advice.

The Government believes there is a gap in the market for affordable “generic” – i.e. personalised but unregulated - financial advice. Lack of access to advice can lead to poor financial decisions and the need for crisis intervention. A more preventative and empowering approach is needed and the Government considers that a national provision is required. The Government’s long-term aspiration is for all adults in the UK to have access to high-quality generic financial advice.

Thoresen Review: Terms of Reference

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.

Source: The Government’s long-term approach to financial capability. HM Treasury. January 2007.

CALL FOR EVIDENCE

This document sets out the issues on which the Thoresen Review Team would particularly welcome evidence, to inform the early stages of the review, and underpin the analysis of options for a national approach to generic financial advice.

The team is seeking to address both strategic and operational issues:

Strategic – In the light of the heightened activity and interest in generic financial advice in the last 2-3 years, what are the issues of principle and policy that need to be resolved? What is the environment within which our approach to generic financial advice needs to operate, including wider government policy, the regulatory framework, the strategic business environment for the industry and broader social goals?

Operational – What factors need to be taken into account in designing and putting in place a national service using a variety of delivery channels including telephone, face-to-face and internet? Do any models exist (whether or not in the field of financial services) and what lessons can be learned from them?

Who should respond?

The review wants to hear from all stakeholders. Consumer and industry bodies will have views reflecting their constituents' interests, but the review also wants to hear from practitioners, researchers and others from a broader background. The review wants to learn from existing generic financial advice providers, but also from providers of other services that have parallels to offer by virtue of:

- scale;
- focus on particular segments of the community;
- delivery mechanisms;
- approaches to consumer engagement; and
- relationship with other services.

These parallels might arise in regulated or unregulated financial advice, or personal guidance and help in other areas of life. The review also wants to hear from people who have attempted to deliver a similar service but found, for whatever reason, that their model has not worked or has delivered unexpected results. We would also like to invite comments from people and organisations on how they might have worked differently, having learned from their experience.

Not all questions will be relevant to all respondents: in particular the operational questions are addressed to those with experience of running an advice service, although this need not be finance-specific. Feel free to skip questions that do not seem relevant to you or your organisation. Respondents should also not feel constrained in their responses if they believe other issues not covered by the questions would usefully advance the work.

The questions are presented under five headings: these are the key workstreams for the project:

- A. What is happening today, how and to whom?
- B. What should the scope of a national approach to generic financial advice be?
- C. Costs and funding.
- D. How can potential users be engaged?
- E. What should the governance of the service look like?

“Generic Financial Advice” - a working definition

It is worth clarifying terminology at the outset. “Generic Financial Advice” is a problematic term and many people do not think it is appropriate. “Generic” implies advice that is applicable to a range of people and situations. Yet in the context of financial advice it has come to mean “advice that is not regulated” even if that advice is highly specific and personalised.

“Advice” has also taken a meaning in financial services that is different from everyday usage: it is a legally defined term that describes a recommendation to buy or sell a specific regulated product to an individual by someone who is authorised by the FSA. Most people use “advice” to describe almost any help, guidance or information they get from any source, particularly from other people.

The Government’s long-term approach to financial capability (para. 4.40) seeks to distinguish generic financial advice from debt advice, with generic advice being more comprehensive and less specialised than advice focused on those with debt problems.

The review is aware of the issues surrounding the term “Generic Financial Advice”. Nonetheless, at this stage we will continue to use it to refer to the system of personalised, but unregulated, help and guidance we have been asked to develop. This is for three reasons:

1. Those involved in the debate about this issue understand what this common but imperfect term means. It is established shorthand.
2. Although it goes against the regulatory definition, what we are describing has much more in common with what most people mean by “advice”.
3. We need to develop, test and recommend an appealing and intuitive description for this service as part of the review’s work on marketing it. We will let that process settle the terminology issue for the future.

STRATEGIC ISSUES

A. What is happening today, how and to whom?

These questions aim to find out what is currently available to help people manage their personal finances in the broadest sense. This includes advice on benefits and debt advice, as well as advice on product markets or specific products. The Review Team is also interested in evidence on similar services, delivered commercially or by the public or voluntary sector.

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

AS3. What do you believe is the most appropriate way of describing “generic financial advice” provision?

AS4. Are there examples from overseas which offer good models for a national approach to generic financial advice and why?

AS5. What academic and other research, UK or international, should the review be aware of that would be relevant to generic financial advice provision?

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

B. What should the scope of a national approach to generic financial advice be?

These questions are aimed at some of the ‘nuts and bolts’ issues of delivering a generic financial advice (or other relevant) service: getting the content right, identifying and targeting consumers, delivery mechanisms, staffing and accreditation.

BS1. Who should generic advice aim to serve including a view on segmentation?

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

BS3. What are the best ways of reaching the target market (i.e. those most vulnerable to the consequences of poor decision-making)?

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

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

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

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?

BS8. What qualifications/training do generic financial advisers need and where could the advisers be sourced from?

BS9. What are the legal implications of giving generic financial advice?

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

C. Cost and funding

These questions are aimed at getting data on the costs and benefits of a generic advice service. As well as detailed costs, the Review Team is also interested in quantifying benefits, including individuals, wider society and different parts of the financial services industry.

CS1. To what extent should generic financial advice be free at the point of delivery?

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

CS3. How can the wider benefits of generic financial advice, to individuals and society as a whole, be quantified?

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact find”?

D. How can potential users be engaged?

These questions are aimed at getting evidence on how consumers can best be attracted to using a generic financial advice service, including how they can be motivated to take an interest in their financial affairs before ‘crisis intervention’ is needed.

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

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

DS3. What would an attractive brand for a generic financial advice service look like?

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.)?

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

DS6. Do you believe a new generic advice provision would lead to a change in consumer behaviour? If so, how?

E. What should the governance arrangements look like?

These questions are about the governance of generic financial advice provision on different bases, including a possible joint Government-industry venture

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)?

ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

ES4. What mechanism should be used to collect and distribute any potential financial contributions e.g. from Government, industry etc?

OPERATIONAL ISSUES

A. What is happening today, how and to whom?

These questions aim to find out what is currently available to help people manage their personal finances in the broadest sense. This includes advice on benefits and debt advice, as well as advice on product markets or specific products. The Review Team is also interested in evidence on similar services, delivered commercially or by the public or voluntary sector.

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

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

AO3. What is the legal, organisational and governance structure of your service?

AO4. How is your service funded?

AO5. How did you identify your customer and their needs?

B. What should the scope of national approach to generic financial advice be?

These questions are aimed at understanding the way that organisations currently approach targeting and delivery of generic financial advice provision.

BO1. Who is your target market, and how do you target them? How well do your actual clients match your expected target market?

BO2. How many people use your service per annum? What sorts of questions do they ask?

BO3. Do you know how many people you turn away? If so, is this a capacity issue or have they come to the wrong place?

BO4. If you operate some form of “triage” or “sifting” of calls, what criteria do you use?

BO5. What referral policy do you operate and how (e.g. boundaries with other organisations, relationship with others, potential issues to manage etc.)?

BO6. What management information do you capture?

BO7. How do you monitor quality and consistency of advice given (e.g. quality control, customer feedback, complaints handling etc.)?

BO8. How do you deal with questions of liability for inappropriate advice (e.g. indemnity insurance)?

BO9. What level and type of training do you offer for your staff (e.g. costs, duration, suppliers, accreditation, etc.)?

BO10. What are the payment arrangements for your advisers (e.g. payment levels, sponsorship, pro bono etc.)?

BO11. Who are your advisers (background, length of service etc.)?

BO12. How do you ensure that you work effectively with other relevant organisations?

C. Cost and funding

These questions are aimed at getting data on the costs of different ways of delivering a generic financial advice service. As well as detailed costs, the Review Team is also interested in quantifying benefits, including to different parts of the financial services industry, individuals and wider society.

CO1. What is your operational model?

CO2. What is the cost structure of your service (e.g. set-up vs. ongoing; capital vs. operational)?

CO3. How long did it take to set up the service from blueprint to launch date? Did you pilot it first? If so, please provide details.

CO4. What are the components of your model and how do they relate to each other (e.g. telephone, face-to-face and online)?

CO5. If you operate an online service, how many people use your site and do they have to pay to use it?

CO6. Please provide information on the key statistics about your service (e.g. duration of session, average cost per session, approach to booking etc.).

CO7. How are you funded and what do you have to do to qualify (e.g. grant-in-aid, customer payments, commercial capital etc)? How much do customers pay?

CO8. Are you able to quantify the social / public policy benefits of your service?

CO9. If your service is required to show a return on capital, what are the Internal Rate of Return (IRR) and payback periods?

CO10. How do you measure the effectiveness of your service?

D. How can potential users be engaged?

These questions are aimed at getting evidence on how consumers can best be attracted to using a generic financial advice service, including how they can be motivated to take an interest in their financial affairs before 'crisis intervention' is needed.

DO1. What market research did you do before setting up your service?

DO2. What approach to advertising have you taken at the various stages of the development of your service (including an indication of level)?

DO3. How has your service evolved over time?

DO4. How did customer usage build up over time?

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

TIMING

The deadline for responses to this call for evidence is **Friday 27 April 2007**.

HOW TO SUBMIT YOUR EVIDENCE

We would prefer electronic submissions where possible.

Please state clearly on the covering note or in the body of your submission **if you do not want your response to be posted on the Thoresen Review website**.

If you wish to have part but not all of your response posted on the website, please supply two versions – one for publication on the website and another for the Review Team only.

If your reply contains **commercially confidential** information, please mark this clearly on your response. This information will be kept within the Review Team and not shared with employees of AEGON UK, or any other financial services company.

Responses should be sent to:

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