

# Reply to the interim report of the Thoresen Review

## *Introduction*

This response to the Interim Thoresen Review has been prepared by Fair Money. In constructing the response the views of several organisations including Which?, The Money Advice Trust, The East London Renewal Partnership, The East London Financial Inclusion Unit, Age Concern, Help the Aged and FT Business have been taken into account.

The reply is broken into the following sections:

- A general view of the report.
- Fair Money's real life experience.
- The basic problem with the report and a possible solution.
- Next Actions.
- Answers to questions in the Interim Report.

## *General View*

This is a deeply disappointing although very predictable review.

By setting out to consider how advice can be given rather than adopt a more robust approach to improving capability a huge opportunity could well be lost. This is doubly disappointing as the very roots of this project are set in the Financial Capability initiative.

Do the authors of the review truly believe that if a person makes a quick phone call or a quick visit to the internet the outcome will be an improvement in his or her financial capability or even general financial situation? More likely the result will be that the person will be advised either to have a product they don't want or, worse still, to go and get advice from the very places they don't want to go to or don't have access to at the moment.

How can a different perspective be taken about consumers who are being failed by the providers and products on offer already when the review is being run by and for the industry? How can consumers gain access to channels and products that the industry is not willing to provide? The need for Face to Face "advice" (meaning real support) comes out on top of every single piece of research but the industry and, in many places, this review continue to push any other possibility.

Financial services companies do not want to engage with a market that is simply not profitable enough. For evidence of this simply take a look at the marketing materials that companies produce for stakeholder products and basic bank accounts. Actually you will find this very difficult as very little of it exists. Walk into the offices and banking halls of any financial services company and see how many posters there are on stakeholder

products and basic bank accounts and how much literature is available. If you are up for a real challenge, try to open a basic bank account or better still find an elderly lady in the street and accompany her while she tries to open one. And yet these are the very products and services that are the most suitable for more low income and vulnerable groups of people.

The desperate need for services that counteract the disadvantage suffered by low income and vulnerable people at the hands of the financial services industry has merely been consolidated. This was predictable from the people appointed to the review and the consultation process used.

To ask the financial services industry how it can provide a fairer deal for the poorer members of our society is like asking Alex Ferguson to let Arsene Wenger know how best to approach Arsenal's next game against Manchester United. There are simply too many vested interests in keeping things broadly as they are now.

### ***Fair Money's Experience***

Fair Money has been at the forefront of developing services that allow vulnerable people to make their own use of financial services. We have pioneered services on the ground that show how even elderly or disabled people with very limited resources can act for themselves to improve their lives. We have done this from our own limited resources and to meet specific needs within London funded by some London boroughs.

We have actively shared this good practice with both the FSA and the Treasury on several occasions. We submitted a detailed paper to the Thoresen Review itself and had a meeting with Laurie Edmans to brief him. On no occasion has our evidence or our practice been questioned in terms of its content or its implications. This work has been simply ignored and our evidence is not available as stated in the report on the Treasury website. We have to assume that our views are inconvenient to the comfortable establishment.

In further consultation between ourselves and other campaigning organisations we have been urged to continue to press our work and encouraged by other major organisations finding the review deeply dispiriting.

### ***The Problem and a Solution***

The problem with the review is simply this:

**The review does not accept that the industry is unethical and that many of its services directly and knowingly damage the interest of its customers.**

We understand completely that it is hugely problematic for government to endorse this statement of lack of ethics, but the problem the Thoresen Review purports to address will not even start to be tackled without this possibility being implicit in its work. While the review is comprised of the great and the good from the industry this work cannot be

done. Fair Money was formed out of the FSA Ethics Forum process which confirmed a systematic problem before the issue was dropped.

The corollary of the problem is this:

**It is assumed that the people who know what the content of advice is or should be are industry professionals. It is also assumed that regulation and the T&C regime promote a situation where people will be given suitable advice.**

If this assumption was actually studied in the way that we have been doing it would be seen very readily that this is not now or ever has been a warranted assumption. In our limited evidence base the situation for citizens is getting rapidly worse. The notion that what people need is more advice, however hedged around, from industry professionals is disgraceful. It has no evidential base except within the Alice in Wonderland world where advice is beneficial because it complies with regulation.

## ***A Solution***

The nature of the solution is this:

**People need to be coached and supported to point where they have the capability to access financial services on their own terms for their own purposes.**

For us financial capability is precisely the ability to see where your real interests lie, despite advice. It is also clear to us this defines the industry's Achilles heel: The industry wants customers to use its products in the way it wants them to; it does not want empowered customers. Because Fair Money includes industry insiders we know exactly how this works.

The industry imposes its products on customers. Because it does so, it cannot see the huge diversity of its customers' needs and values. The generic thing that customers need is the ability to continue to assert their actual individual needs in the face of massive advertising and sales pressure persuading them to buy the products that the industry wants to sell. This is absolutely not about choosing between industry products more rationally: it is about rejecting commission driven sales and demanding products whose risks and rewards are fair and balanced.

## ***Next Actions***

We would like

- an explanation of why we have not been properly included in the consultation exercise.
- a public statement acknowledging that there is a minority view on the subject of this review and we would like to know who has been briefed that such a minority view exists.

- the opportunity to demonstrate on the ground with a range of clients the difference between what the Review approach would achieve and what is actually required to shift the problem.

## ***Question Replies***

### Chapter 2 questions:

1. You could ask the people doing the best work on the ground. It is symptomatic that the question speaks of engaging people, when of course any service that met consumer needs in this desert would be instantly oversubscribed. There are excellent well documented reasons why people will not engage with the industry.
2. No, the only outcome worth having is that people can learn to use financial service on their own terms and not have the industry dogma foisted on them.
3. People need to have access to face-to-face service and to be able to recognise at first contact that this service is there to support them. Anything else is window-dressing.

### Chapter 3 questions:

1. The scope of “advice” is defined only by the situation of the customer. Each customer is unique and has an arbitrarily complex set of existing (usually mis-sold) products and needs. Playing numbers games with this is just an industry obsession, trying to streamline something that was never what the customer wanted. The world of a customer cannot be partitioned and/or signposted because we need to work with the customer’s understanding not with the industry’s.
2. In the current climate the only model that makes sense is to train service providers on an impossibly broad curriculum extending for instance into long term care and child trust funds, health costs and school fees, alternative pensions and shared ownership, the benefit system and tax avoidance. Then they need to be supervised on a clinical or therapeutic model to allow them to develop real care for distressed and disadvantaged customers.

### Chapter 4 questions:

1. GFA should be delivered by diverse small organisations that are chartered for their ethos and their ability to increase customer capability on the ground. Only small organisations will innovate fast enough to match their ability to provide support to changing customer needs and new industry tricks.
2. There is not currently a brand whose message is that the customer must assert their needs.
3. Fair Money!

### Chapter 5 questions:

The question of payment from the service serves to illustrate perfectly the innate weakness of the report. The service should be completely free of any direct or indirect influence from the industry.

The very fact that AXA believe they will get more business if the scheme is a success shows just how big the conflict in interests is. When that is combined with the objections to any involvement with Personal Accounts it simply shows that the industry can only act when it sees some profit for itself. If the profit isn't there then we know from years and years of experience that it will only take a month or two for one of the clever guys in the actuarial department to work out some way of picking the customers' pockets.