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Dear Otto

Thoresen Review of Generic Financial Advice – Interim Report

We are grateful for the opportunity to submit further comments in response to your Interim Report. We fully support this initiative and are pleased to see the good progress you are making and agree with the general direction it is taking. We continue to believe that it can lead to a marked improvement in the availability of support to people who need assistance with their finances.

We have set out below our thoughts on some of the questions raised.

7.1 The analysis of UK adults according to their financial vulnerability represents a good starting point to assess the likely GFA needs and the ways of engaging different groups of people. The output of the pilots will help build upon the hypotheses of who needs a GFA service and how they can be engaged. What further pieces of evidence, or data sources, could be used to enrich the Review's understanding of the different groups who would benefit from GFA?

The analysis carried out so far appears to be based on sound reasoning and understanding of the position and information gathered. Hopefully, the output of the pilots will provide further input but since some of the GFA service is not currently available there is a limit on how much benefit further information will add to the assessment.

7.2 Have we correctly identified the outcomes that a successful GFA service should aim to deliver?

Yes. There is an inevitable closeness to some of the aims of the financial capability initiatives so that outcomes such as the awareness of the need to consider financial issues and how to obtain assistance probably fall within both.

7.3 What sort of approach would be the most effective way of engaging consumers in GFA – both initially and in the longer term?

One of the key challenges for GFA is how to trigger consumer engagement other than at a time of crisis. The interaction of Financial Capability, Generic Financial Advice and the proposed Primary Advice will have a medium to long-term impact by increasing demand for financial services.

For GFA, the engagement needs to be across multiple fronts. Existing trigger points, such as contact with the Citizens Advice Bureau, are a good starting point. Leaflets setting out the aims and availability of the GFA service could be generally available in places such as doctor's surgeries, Job Centres, and perhaps enclosed with existing regular mailings such as Council Tax bills. There are also life stage trigger points that could be used to engage, including maternity, retirement and death of spouse.

As we set out in our original submission to the Call for Evidence, we believe a better description of the service would be Basic Financial Guidance. It is essential that it is seen as guidance so that the individual owns the outcome and feels part of the process.

7.4 Have we identified the appropriate parameters for GFA? What evidence exists to support a case for a 'deeper' service?

Yes. One of the outcomes of the Retail Distribution Review could be the development of a Simple Product range with FSA setting criteria for a product to achieve 'approved status'. It would then be possible for the GFA service to develop up to date lists of firms providing particular 'approved status' products. So if, for example, the outcome is that a customer needs to look into setting up a basic bank account for budgeting then a list of those providing such accounts could be given so as to help them in making a choice. It would be essential for such lists to be kept up to date on an ongoing basis to avoid them being seen as giving advice.

7.5 What sort of accreditation and training would be the most effective way of ensuring accuracy, quality and consistency of GFA information and guidance?

This is a difficult area given the very broad range of questions and issues that are likely to be encountered. Existing providers, such as the Citizens Advice Bureau, should be a valuable source of information on how they currently deal with the area of training their advisers.

7.6 Views on the organisations, which could play a role in the combination model, either on behalf of the main organisation under a contractual arrangement, or as a jointly labelled accredited partner?

We have no specific comments to make.

7.7 How could commercial providers benefit from delivering GFA in their premises? For example, does the delivery of GFA in a commercial setting improve the levels of motivation to take action and execute a plan?

We fully support the assessment of what the GFA service needs to be, and feel that one of its key strengths is that it should be delivered in an environment clearly not linked to a product sale. This applies wider than a product sale such that it also should not be in an environment linked to the provision of services for which you would usually expect to pay. In this sense it is difficult to see how delivering the GFA service in a commercial environment could do anything other than detract from its aims and potentially put people off from taking the important first step of making contact to seek assistance.

However, consideration should be given to whether provider call centres could provide GFA to help their customers.

7.8 Should a GFA service be delivered by a new organisation, and if so should that organisation be a public body?

Yes, our view is that it should be a new organisation. We favour a public body but have some concerns over the levels of bureaucracy that could be created. Firstly, because of the potential for additional costs and wastage and secondly because of the dangers in creating a cumbersome framework. There are recent examples of public bodies spending more on administration than is delivered to the target groups. It is essential that the new organisation is efficient, streamlined and non-bureaucratic.

7.9 Should a GFA service be delivered by an existing organisation – not necessarily a public body – with an established ‘brand’ that is capable of being widened to encompass the objectives of a GFA service?

As the work of the Review has identified, there is no existing organisation or brand that provides the full GFA service. Consequently, any existing organisation will already have a brand or at least a perception in peoples’ minds as to what services and standards it provides and upholds. Considerable time and effort is likely to be needed to convert an existing brand perception into the GFA brand. We believe it would be better to have a new organisation with no existing ‘baggage’ and create the GFA brand from a clean starting position.

7.10 Which existing organisations should be considered candidates for scaling up capacity and expanding their brand to deliver the vision of GFA set out in this report?

We have no specific comments to make.

7.11 Would a compulsory levy be the most appropriate way of raising the industry contribution to a GFA service; and if so, should it be a new mechanism or an existing one, such as the FSA levy?

The FSA currently collects fees in respect of other organisations such as the FSCS and FRC. Whilst FSA is not designed to be a fee collection service it does already send invoices to a considerable proportion of firms potentially liable for a GFA service levy and, if possible, it makes sense to utilise this facility. A mechanism will need to be created to collect from firms falling outside FSA’s invoice population.

We understand the arguments for a compulsory levy across the industry but there does need to be a degree of fairness since all firms will not benefit to the same degree from any eventual increase in business as a result of GFA. Financial services companies, individually and collectively, already contribute significant amounts to financial capability initiatives. The FSA budget for 2007/8 alone included £17.1 million for the National Strategy for Financial Capability.

It may be an over simplification but most users of the GFA service who go on to make a purchase are likely to buy one of the simple products, be it a savings plan, bank account or loan. Although there is a potential overlap with the proposed Primary Advice, it should be possible to create a levy based on volumes of simple products sold.

7.12 Would it be practical for compulsory contributions to be made partly in kind, whether by provision of staff, accommodation or other resources, or as a direct provider of part of the service?

We do not believe so. Considerable time and effort could be spent on assessing and agreeing a fair value of services provided 'in kind' and then accounting for this against the levy otherwise payable.

7.13 What should be the coverage of an industry levy? In particular, should it reflect the value of business in non-regulated products, such as consumer credit companies, which are likely to generate significant calls on a GFA service?

As we have stated in our answer to question 11 we believe that the industry levy could be based on business sales volume of the simple products likely to have been triggered to some extent by GFA. On this basis we believe that it would be reasonable for all firms in the financial services industry, whether regulated or not, to be included.

7.14 Are there some firms that should be excluded from a compulsory contribution? In particular, should firms that:

- **Sell only non-regulated financial products; or**
 - **Operate on a very small scale or for whom credit is just an ancillary activity; or**
 - **Have only peripheral contact with those who are most likely to benefit from GFA;**
- form part of the contribution base?**

If a compulsory part of the levy is introduced then we do not believe that any firms in the financial services industry should be excluded from contributing to it.

We hope that you find our response helpful and we would be delighted to provide any additional information you require or to discuss our response in more detail.

Yours sincerely

Simon Clamp
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