



22 October 2007

GENERIC FINANCIAL ADVICE MOVES A STEP CLOSER

Otto Thoresen has today published the interim report of the Thoresen Review of Generic Financial Advice (GFA). The report shows that, on the evidence the Review has studied, GFA is an essential element in improving financial capability across the UK, that it is feasible to build a national service, and that benefits would outweigh costs by 3.5 to 1.

Depending on the final design, annual running costs could range from £40m to £80m. The report suggests that the costs should be borne equally by Government and the financial services industry, broadly defined, and welcomes further debate on how this might work in practice.

Based on consumer research, the report sets out key principles for delivering a national GFA service:

- "on my side": impartial from government and the industry;
- supportive and informative: not criticising, but certainly persuasive of the need to act;
- preventative: helping people take charge of their affairs before serious problems develop;
- available to all;
- delivered in an environment which is clearly not linked to a product sale;
- able to give guidance, to empower individuals in making decisions, but stop short of recommending a specific product with a specific provider.

It says that GFA should offer a range of information and guidance, from 'jargon busting' to managing debt and budgeting, and understanding tax and benefits, delivered through a mix of channels.

Otto Thoresen said:

"The research and evidence we have gathered so far has enabled us to define in broad terms some of the principles for a national system of generic financial advice. Complete impartiality and effective marketing will be critical. But it's also essential to design a system which will be of genuine benefit to people and which can be sustained over the longer term. We are currently running pilot schemes to test out elements of a national system and the findings will enable us to develop the proposals further in the months ahead."

Economic Secretary to the Treasury, Kitty Ussher MP said:

"I want everyone in the UK to have access to high quality information and guidance on personal finance, whether it be for 'jargon-busting' or to help them get the best out of the financial products and services on offer. This will help people make decisions that are right for them and manage their money better.

"The Government asked Otto Thoresen to research and design a blueprint for generic financial advice provision in January. I welcome this interim report which sets out the Thoresen Review's direction of travel and highlights the excellent progress made on this exciting work. I look forward to Otto's final report and his recommendations in the new year."

The report says that GFA should be available to all, but should be designed, branded and located to attract the groups of people who will benefit the most, particularly the 7.5 million who can be described as most vulnerable to the consequences of poor financial decision making. Signposting people to other commercial providers of advice and financial services solutions will be an important part of GFA. It concludes that it will be important for existing trusted advice providers to be part of the delivery infrastructure.

Otto Thoresen will make final recommendations to Government in the New Year, which take into account the findings from the pilots currently taking place in North West England, London and South Staffordshire.

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 and the Call for Evidence were issued on 13 March 2007 and closed on 27 April 2007. The terms of reference are:

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.
3. The full Interim Report and its annexes are available from the **Thoresen Review website**.
 4. The review will submit its final report in early 2008.

'Financial Capability: the Government's long-term approach' can be found on this website.

5. On 10 September the Thoresen Review announced consumer pilots to test GFA across three channels - the telephone, the web and face-to-face. The pilots are run by Consumer Direct, in partnership with Citizens Advice Bureau, Cumbria County Council and Agilisys, and A4e which is operating pilots in the North West, London, Staffordshire and South Yorkshire. Details can be found at http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresen_press_100907.cfm

6. Although it is not a formal consultation, the Report poses a number of questions and would like stakeholders to contact them with views, which can be sent to:

Thoresen Review of Generic Financial Advice
Savings and Investment team (SAVI)
HM Treasury,
1 Horse Guards Road,
London,
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Tel: 020 7270 4343
Fax: 020 7270 4694
e-mail: thoresenreview@hm-treasury.gov.uk

7. Media enquiries should be addressed to Richard King, Treasury Press Office, 020 7270 4420.

8. Non-media enquiries should be addressed to the Treasury Correspondence and Enquiry Unit on 020 7270 4558, or by e-mail to public.enquiries@hm-treasury.gov.uk

9. This press release and other Treasury publications and information are available on the [Treasury website](#). If you would like Treasury press releases to be sent to you automatically by e-mail you can subscribe to this service from the press release site on the website.

Annex A

Key report points

- The Review believes that GFA, delivered nationally, is an essential element in the overall strategy to improve the UK's levels of financial capability;
- We believe that the costs of building and running the service make it feasible, and that the costs are likely to be outweighed by the benefits. For the public, benefits outweigh costs by 3.5 to 1.

Who is the service for and how should it be run?

- The service should be available to all, particularly at key life stages, but should be designed, branded and located to attract the 19 million who will benefit the most, particularly the 7.5 million most vulnerable.
- Demand management through an effective engagement strategy to attract the people who could benefit the most to the service will be important. Marketing will need to use a mixture of mass media, targeted/local campaigns and "viral" techniques;
- An analysis of the current provision of GFA-type information and guidance as well as speaking to people in focus groups highlighted a gap for a service offering personalised, unregulated advice, in advance of a crisis, on a national scale. Five topics a GFA should provide are being tested in the consumer pilots of GFA:
 - jargon busting;
 - managing debts and budgeting;
 - savings and mortgages;
 - planning for retirement;
 - understanding taxes and state benefit entitlements.
- Partnerships will be key to delivering the service. It must work with existing providers to build on and strengthen the excellent work being done by many organisations, not reinvent the wheel.
- At the heart of the service there could be a new public body; or it could be run by an existing organisation whose current mission and profile are a

close fit with the desired “look and feel” of a GFA service and whose operations could be adapted or scaled up to meet the demands of a national GFA service.

Costs and Funding

- Report does not – and cannot – say what the service would cost. That will depend on what the service does and how it is delivered. But have produced some illustrative ranges on a variety of assumptions that suggest cost could be between about £40 million and £80 million.
- Presumption remains that cost should be shared between industry and government. In this context “industry” means at least those who contribute to the National Strategy for Financial Capability via the FSA levy, and probably also some of those selling non-regulated financial products that are likely to generate calls on the service.
- We think a compulsory levy would provide the most secure and equitable funding mechanism for the industry contribution. This could be a new levy, or perhaps we could use the existing FSA levy.