



Otto Thoresen Esq.
Thoresen Review of Generic Financial Advice
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

21 January 2008

Dear Otto,

The ABI supports the objective of improving financial capability through generic financial advice (GFA). Whether in providing for their retirement, protecting themselves against risk or coping with loss of employment, people need to be able to manage their money well and to make good use of the financial services industry to do so.

We agree with your Interim Report's conclusion that GFA should be available to all. People of all backgrounds are vulnerable to the consequences of poor financial decisions. Focusing the marketing and design of GFA on a particular income group would limit its appeal and its impact. It is preferable to focus on key life events, that affect nearly everyone and require major financial decisions. Effective consumer engagement is also an essential ingredient of GFA. It requires a high profile launch to get it early recognition and ongoing promotion.

GFA must provide value for money and we must use existing resources to best advantage. Those resources will also bring the experience that an effective and trustworthy provision of advice requires. The most efficient way of meeting those requirements is to engage organisations that already understand how to give financial advice whether in the financial services, industry or bodies such as Citizens Advice.

That said the participation of financial services beyond carrying literature and signposting to GFA providers is not straight-forward. The industry will need clarity about the regulatory framework, whether or not the advice leads to a sale and need to assess fully the cost implication.



To be relevant to the important financial decisions that most people have to make, we agree that GFA will have to cover pensions and, going forward, Personal Accounts. It is essential to establish at an early stage how occupational pension schemes, Personal Accounts and others not currently levied by the FSA can pay a fair share of the costs of GFA. They must not get a free ride. Members of insurance based pension schemes have to pay the full cost of advice and information. So should members of Personal Accounts.

Your Interim Report asks for views on the governance arrangements for GFA. Any central organization should be lean, enabling others to provide advice. It should not run a large service machine. We would not support a new service providing quango. Instead a central team's core function should be to promote high standards. The governance should support that. Any governance arrangement must also deliver value for money. To that end organisations required to contribute must be involved in any oversight board. And there must also be adequate representation of those who provide financial services to ensure that the market which meets people's needs is properly understood.

Finally, many of the issues raised in your Interim Report can only be resolved by practical testing, we understand the recent small-scale prototypes have offered some valuable lessons about branding, consumer engagement and adviser skills. We should like to see the statistical analysis of the prototypes to be able to make a better assessment of the lessons and understand the significance of the data. Larger scale pilots are now needed to test the most effective form of public communication, models of commercial involvement and establish the key life events that people need most help with in making financial decisions. The ABI is keen to lend assistance in planning and designing such pilots.

with best wishes,

Stephen Haddrill
Director General

A handwritten signature in blue ink, appearing to read 'Stephen Haddrill', with a long horizontal line extending to the right.