

Thoresen Review of Generic Financial Advice: Call for Evidence

Response from the Financial Services Authority

In summary, our key points are:

- 1. Our research shows that many people need to absorb quite basic information about money before they can access, understand and act upon more in-depth advice services;**
- 2. Our practical experience is that a lot can be achieved through existing networks;**
- 3. Our current initiatives, while targeted at priority groups, are increasingly reaching a mass market;**
- 4. Our consumer website provides a comprehensive range of tools and information to help consumers understand their financial position, identify priorities for action and take the next steps to address those priorities. It offers a good basis on which to develop the internet element of the national approach to generic financial advice;**
- 5. Evaluation will be key. It is essential to be clear how desired outcomes, in terms of changed consumer behaviour, are to be measured;**
- 6. A lot of the groundwork has already been laid. The national approach should aim to complement existing approaches, including the National Strategy for Financial Capability.**

Introduction

The Financial Services Authority (FSA) is the main statutory regulator for the UK financial services industry. We are an independent non-governmental body and have been given four specific, and equal, objectives by Parliament. These are: maintaining market confidence; promoting public understanding of the financial system; securing the appropriate degree of protection for consumers; and fighting financial crime. In our day-to-day operations, we aim to promote efficient, orderly and fair markets, help retail consumers achieve a fair deal and improve our own business capability and effectiveness.

The FSA leads the National Strategy for Financial Capability ("the National Strategy") which brings together interested parties from the financial services industry, consumer bodies, voluntary organisations, government and media to find ways to improve the nation's financial capability. Our vision is to achieve better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and to play a more active role in the market for financial services. We aim to reach at least 10 million people in five years from 2006/07 – 2010/11 and, to do so, we have scaled up our activities significantly. We have decided, as a deliberate and long-term change of emphasis, to increase our spending on

financial capability to around £17 million in 2007/08 (from around £10mn in 2006/07) and to spend £15-20mn per year for the remaining three years (2008/09 - 2010/11) of our current programme. We are in this for the long haul and will set out, well in advance of 2011/12, our programme for that year and beyond.

The provision of generic financial advice has always been a key component of the National Strategy. In 2004, we established a Working Group on Generic Advice, involving a wide range of stakeholders, to examine how generic advice could be made more widely available and we share below some of the work that this group undertook. We have also worked with the Financial Services Skills Council to create National Occupational Standards for generic financial advice which define the competencies required for providing such advice. We have launched our *moneymadeclear* website to provide help for millions of consumers. We have also made good progress in building relationships with a range of intermediaries (such as housing workers, youth workers and voluntary advisory services) to support the expansion of entry level generic financial advice: this will, in turn, stimulate demand for a more in-depth advice service. It is clear, however, that the resources required to provide more in-depth advice on a national scale are well beyond the funding which the FSA could provide.

We very much welcome the publication of the Government's long-term approach for financial capability¹ which will complement, and be co-ordinated with, the National Strategy. The development of a national approach to generic financial advice should benefit consumers, the financial services industry and society as a whole.

In preparing our response to this call for evidence, we have drawn on our work with intermediaries, the work of the Generic Advice Working Group, and our own provision of web and telephone based information services. Where relevant, we have also flagged the work of our Retail Distribution Review (RDR), which we established last year with the specific aim of identifying and addressing the root causes of problems that continue to emerge in the retail investment market. These problems have been grouped into five themes, one of which is improving consumer access to financial products and services. The Consumer Access Industry Group has been tasked to consider issues outside the scope of generic financial advice but is mindful of how generic financial advice might fit in with the overall advice picture.

In responding to the Operational Issues, we have focused on the provision of our consumer contact centre and consumer website (www.moneymadeclear.gov.uk).

STRATEGIC ISSUES

Section A: What is happening today, how and to whom?

ASI. 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?

Generic financial advice is available from a range of sources, mainly in the voluntary sector and focused on helping people in crisis, often in relation to debt. There have been few

¹ *Financial Capability: the Government's long-term approach* (HM Treasury, January 2007)

attempts to offer a "preventative" guidance service although information is available for those who wish to look.

On the web, a number of financial services providers have launched, or plan to launch, public educational self-help initiatives. Some of these sites incorporate the FSA Financial Healthcheck and Debt Test and a range of other resources. There are also well-established ad hoc IFA on-line services and other financial websites which provide guidance, some of which provide telephone helplines.

On a face-to-face basis, consumers capable of actively seeking guidance or money advice may be able to obtain this from their own bank or building society or an IFA. The not-for-profit sector also provides a great deal of face-to-face advice. This is often at the "specialist" end of the spectrum, helping people who are facing a crisis and need help with managing debt.

The FSA offers a range of information and tools for consumers. Our Consumer Contact Centre answers general enquiries about financial products and services and is accessible by telephone, minicom, textphone, letter and e-mail.

In addition, the FSA is overseeing implementation of the National Strategy's delivery programme which is designed to achieve a step change in the financial capability of the UK population. The current programme (as set out in our *Delivering Change* publication²) is made up of seven projects and provides entry level generic advice which is targeted at those groups most in need and / or where we can reach many people:

- **Schools:** *Learning Money Matters* – high quality financial education in schools;
- **Young Adults:** *Money Doctors* schemes – building up pro-active and innovative outreach to students in higher and further education. Providing training for workers in statutory and voluntary organisations that help young people who are not in education, employment or training (NEET) – enabling them to provide simple guidance about money to their clients;
- **Workplace:** *Make the Most of Your Money* programme – delivering seminars and supporting educational booklets in a large number of workplaces;
- **Parents:** *Parent's Guide to Money* – an information pack on money matters for new and expectant parents;
- **Online tools:** *Financial Healthcheck* and *Debt Test* – on-line tools on the FSA and BBC websites and, increasingly, syndicated through commercial sites;
- **Consumer communications:** *Moneymadeclear* - FSA's consumer website launched in December 2006 offering clear, impartial general information about the basics of financial products and services. Information is also available in a range of booklets;
- **Money advice:** helping people understand, in general terms, what financial issues they need to tackle and what sorts of products/services might help them do this. Through the FSA's *Innovation Fund*, for example, we offer small grants (totalling around £200,000 in both 2006/07 and 2007/08) and development support to not-for-profit organisations for financial capability projects that will provide entry-level generic financial advice tailored to specific groups (such as those involved in social housing, offenders and cancer sufferers). We have recently awarded grants to five projects for 2007/08. 'Replicability' was a priority among the criteria used to choose projects in both 2006/07 and 2007/08. This means that the approaches the projects design and trial, and the materials they

² *Financial Capability in the UK: Delivering Change* (FSA, March 2006)

develop, can be easily replicated by other, similar organisations and in other areas of the UK.

This programme of financial capability initiatives will expand significantly the availability and delivery of entry-level generic financial advice and help individuals acquire the skills and knowledge to take on more responsibility for their financial decisions. The programme combines long-term measures to lay the foundations for sustained improvement over time, and shorter-term measures to deliver a more immediate impact. We anticipate that all this activity will, over time, stimulate demand for more in-depth advice services.

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

The FSA's leadership of the National Strategy for Financial Capability is overseen by a Steering Group, chaired by John Tiner (FSA Chief Executive), and comprising senior representatives from the government, financial services industry, voluntary sector and other organisations³.

We have committed to a programme of seven priority projects (see AS1 above) which we will fund at £15-20mn per year for the remainder of the current programme (2007/08 to 2010/11)⁴. We will set out our programme for the period beyond 2010/11 in good time beforehand. A key element of our approach is to work in partnership with a range of trusted intermediaries to support the expansion of entry level generic financial advice. In many respects, the role of the FSA is one of providing leadership and co-ordination⁵. In delivering the National Strategy, we are working with an increasingly broad range of partners, seeking to reach people where they are rather than expecting them to come to us: for example, a young person not in education, employment or training may turn to their outreach worker for help but they would be unlikely to turn to us.

We have set ambitious targets for the various National Strategy workstreams, aiming to reach more than 10 million⁶ people over 5 years:

- 4 million employees in the workplace
- 1.8 million children in 4,000 (of the 6,000) secondary schools in England
- Around 2 million young students in higher education
- Around 1 million young people not in training, education or employment (NEET);
- 1.5 million new and prospective parents;
- 4 million annual visits to www.moneymadeclear.fsa.gov.uk.

³ The Financial Capability Steering Group comprises: John Tiner (FSA), , Luqman Arnold (Olivant & Co), Ed Balls (HM Treasury), Clive Briault (FSA), David Clementi (Prudential plc), John Cridland (CBI), John Gummer (Association of Independent Financial Advisers), David Harker (Citizens Advice), Deirdre Hutton (FSA Deputy Chair and Food Standards Agency), Frances O'Grady (Trades Union Congress), Chris Pond (One Parent Families), Ron Sandler (Personal Finance Education Group), Tony Wadsworth (EMI Music UK).

⁴ Our budget is met from a levy on the firms we regulate.

⁵ A recommendation of the Sandler Review (2002) was that the FSA's role in the area of consumer education should be one of leadership and co-ordination. This reflected the fact that, whilst the FSA may have statutory responsibilities for *promoting* public understanding of the financial system, its implementation actually rests in large measure with other public and private bodies. See *Sandler Review: Medium and Long-Term Retail Savings in the UK (July 2002)*

⁶ Note: the individual targets listed add up to more than 10 million as some people will be reached through more than one channel.

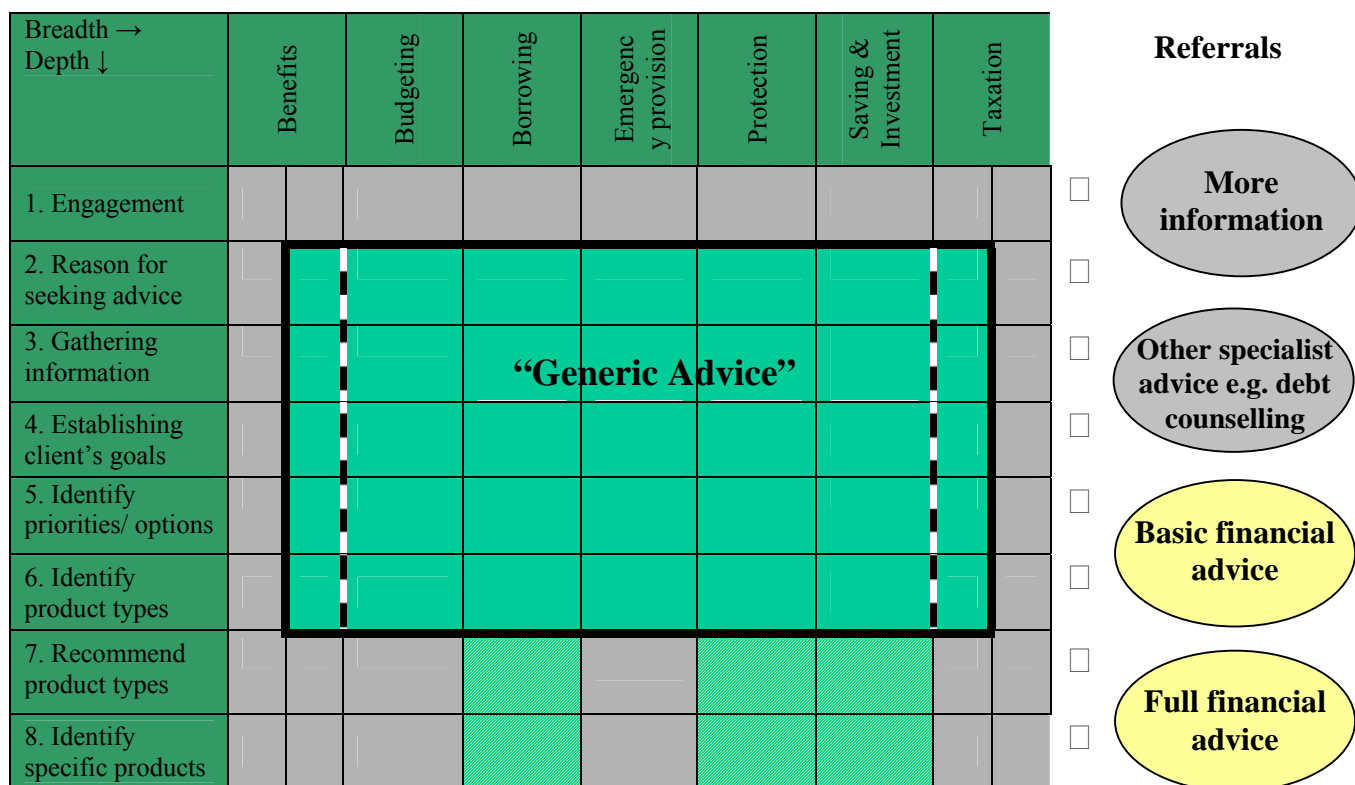
AS3. What do you believe is the most appropriate way of describing “generic financial advice” provision?

The FSA's Working Group on Generic Advice proposed a definition and a boundary for generic financial advice⁷. The Working Group’s agreed definition of generic financial advice was:

Generic financial advice is a set of services and tools that use information about individuals' circumstances to help them identify and understand their financial position and their needs and to plan their finances accordingly. Generic financial advice helps consumers identify:

- *their current financial position and therefore the choices and possible priorities for action appropriate to their needs;*
- *how to take the next steps in addressing their priorities; and*
- *how to access other relevant sources of information and advice.*

The Working Group considered both the possible ‘breadth’ (the range of subject areas covered) and ‘depth’ of generic advice and illustrated this in the following diagram:



Key  Benefits and taxation included to the extent relevant (specialist advice outside scope)

⁷ The Working Group met between 2004-06 to take forward our work in the area of generic advice. Membership comprised a wide range of representatives from the industry, consumer and public sectors. Its early work focused on elaborating the definition of generic financial advice and developing a quality assurance standard for its provision. The FSA published, on the advice of the Working Group, *Financial Capability: developing the role of generic financial advice* in August 2005.



In the interests of keeping things simple and reducing uncertainty, the Working Group proposed that the boundary of generic financial advice should be drawn at the end of step 6. Such an approach would mean that generic financial advisers:

- would not need to have in-depth knowledge of all of the subjects but should be capable of recognising the type of assistance required and, where appropriate, knowing where to direct the consumer;
- could identify options; together with a clear course of action should the consumer wish to take those options further;
- would not recommend either specific products or product types; and
- where the firm is regulated by the FSA, would still have to operate within the FSA's principles for business.

This approach does limit the maximum potential scope of advice that could be given by generic financial advisers: for example, in some circumstances generic advisers can recommend product types or even recommend specific products without falling into regulation. The main advantage of the Working Group's approach, however, is that it is simple and reduces uncertainty.

The FSA has published guidance on regulated advice which is designed to reduce the risk that advisers stray into regulated territory. But it is recognised that this can be a difficult area due to the complexity of the law.

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

There are a number of overseas organisations that could offer useful experience and insights for this Review and we have provided the study team with appropriate contact details.

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

The FSA has undertaken a range of consumer research that is relevant to the provision of generic financial advice. We would highlight four in particular.

First, to establish a baseline for measuring future changes in financial capability, the FSA commissioned a large-scale survey to determine how well people: make ends meet, keep track of their finances, plan ahead, choose financial products and stay informed about financial matters⁸. Among other things, the baseline survey demonstrated that many people need to absorb quite basic information about money before they will be capable of demanding, understanding and acting upon more in-depth services. In developing the methodology for the baseline survey, a wide-ranging review of existing literature and

⁸ *Levels of Financial Capability in the UK: results of a baseline survey* (FSA, Personal Finance Research Centre: University of Bristol, March 2006)

research (both UK and international) was undertaken, the findings of which are reported in FSA Consumer Research 37⁹.

Second, the FSA commissioned research to gain an understanding of which methods of delivery of advice appeal to different people – including internet, face-to-face or telephone-based advice¹⁰. This research looked at the reasons why consumers sought advice and what the best ways of delivering this advice were. The study noted that:

- consumers tended to seek advice due to external prompts. Consumers were also more likely to seek advice if they had access to an impartial source of advice;
- giving consumers reasons to seek advice (through incentives and clear messages but not through scaremongering) would be the best way of changing consumer behaviour;
- face-to-face advice is preferred by the financially non-confident. Advice via telephone can be accessed by all and is a cheaper, and less time-consuming, alternative to face to face advice. The internet and other advice channels, while useful, would not be able to be accessed by some sectors of the population; and,
- any advice would need to be free as most consumers were unwilling to pay for this service.

Third, in 2005 we published research¹¹ commissioned to help us better understand how consumers come to identify a financial need and how they approach the selection and purchasing of financial products to meet that need. This study offered valuable insights into consumer behaviour, identifying three major influences on financial decision making:

- personal triggers: events in an individual's life that may prompt awareness of a financial need, such as the birth of a child;
- external events: major external events that shape consumers' views and levels of trust, such as government or industry initiatives. The research suggested that consumers are increasingly resistant to government and industry messages about their financial needs and that they are most likely to take action when presented with both 'carrot' and 'stick' messages, or when given advice by someone they trust;
- financial traits: underlying attitudes of each individual that shape the way a person thinks about financial matters, such as their willingness to take on financial risk. These financial traits suggest that consumers approach financial matters in a variety of ways not captured by standard demographic segmentations.

Fourth, the FSA contributed to a two-year project to research and pilot the addition of information about financial capability to the existing information service for young adults in Scotland, *Young Scot*. This new Infoline was largely funded by the Scottish Executive, and provides web-based information (including downloadable fact sheets) and a free-phone advice service. This was based on extensive research on how young adults want to receive information, and the two-year pilot results have now been fully evaluated.

Internationally, the OECD has established a Financial Education Project to study financial education programmes in OECD member countries and selected non-member countries (see http://www.oecd.org/department/0,2688,en_2649_15251491_1_1_1_1_1,00.html). The

⁹ See *Measuring financial capability: an exploratory study* (FSA Consumer Research 37, June 2005)

¹⁰ *Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project* (FSA Consumer Research 43, August 2005)

¹¹ See *Consumer needs research: Informing our future work* (FSA, July 2005) and *Towards understanding consumers' needs* (FSA Consumer Research 35, June 2005, prepared by the Henley Centre)

European Commission is also studying financial capability issues at the EU level, commissioning an external study to map out and analyse financial education schemes in EU Member States.

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?

As noted above, the baseline survey suggests that many people need to absorb quite basic information, education and signposting about money before they will be capable of demanding, understanding and acting upon more in-depth services. At present, there is a lack of availability for this essential, but basic level of preventative money advice; provision therefore needs to be expanded, alongside the provision of more in-depth advice.

Through the National Strategy, the FSA is seeking to expand the provision of basic, entry-level generic financial advice by working through trusted intermediaries. We are particularly focusing on establishing relationships with those intermediaries that work with priority groups of consumers identified in the baseline survey. As set out in AS1, the FSA is working with a range of partners in schools, the workplace and organisations working with young adults, offering training that is intended to give intermediaries the confidence and competence they need to offer basic, entry-level preventative money advice and to be able to sign-post clients to other services that can offer more specific help or in-depth advice.

Through the Innovation Fund we are providing a lower level of seed funding to individual projects than is the case with the main financial capability projects (schools, workplace, and young adults), but emerging results do suggest that we can gain national leverage through quite modest local funding combined with development support to encourage replication of successful results. We have recently awarded some larger grants to intermediaries which work with some priority groups (e.g. lone parents) and increased FSA staffing to provide further development support to sustain and replicate successful projects.

Through the FSA's consumer website, *moneymadeclear*, and our information booklets, we are providing valuable support to millions of consumers, as well as intermediaries and other providers of basic generic financial advice, by providing free, accessible, factual and impartial information together with a number of online tools.

We think there is scope for existing organisations (governmental, voluntary and possibly commercial) to help meet the need for more *in-depth* preventative advice, alongside any additional free-standing service(s). The provision of any additional service(s) should be designed to complement, and be integrated with, the existing advice network. It is likely, for example, that the need for crisis management services will increase - at least in the short to medium term - as generic financial advice is expanded and more people are referred for such help.

<p>Section B: What should the scope of a national approach to generic financial advice be?</p>

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?

The FSA's baseline survey has been the most comprehensive survey yet undertaken of financial capability anywhere in the world. Overall, the survey showed that many people from all backgrounds and all levels of income lack financial capability, particularly in planning ahead for unforeseen events and retirement¹², in choosing products and in staying informed. The survey also highlighted particular groups who are most likely to lack financial capability in these areas: those not holding a current account, those who are in rented accommodation, the unemployed, younger people, lone parents, those who have no (or low level) qualifications, those who are single, those with income in the bottom or bottom two quintiles, and those living in 'hard pressed' neighbourhoods.

Our baseline survey data, which we will make available to the Review Team, provide a number of ways in which the target group for advice can be segmented. These include an overall assessment of the relative strengths and weaknesses of the financial capability of the population across five core areas¹³, a more detailed analysis of how individuals are managing their financial commitments, a breakdown of financial capability according to the type of neighbourhood people live in and a breakdown by Financial Strategy Segment, a model developed by Experian. Using Experian's classifications, the following segments performed markedly less well than the population as a whole (the chart shows the specific areas where the groups lacked capability):

	Planning Ahead	Staying informed	Choosing products	Making ends meet	Keeping track
Young people in the early stages of establishing careers and setting up home	X	X	X	X	
Young single people surviving on relatively low incomes	X	X	X	X	
Singles and lone parents with very poor means living in lower quality housing	X	X	X	X	
Less affluent families who rely on credit to fund their lifestyle	X	X	X	X	
Families in their later working years with below average income and low levels of saving	X	X	X		
Elderly people living in poor circumstances who are reliant on the state pension	X	X	X		
Young, successful professionals who have mostly remained single and child-free				X	X

It is possible to undertake further analysis of the baseline survey to identify those groups who lack capability and who currently do not obtain advice to help them meet their needs yet feel they are reliant on advice to make choices.

¹² For example, the survey revealed almost a third of people had experienced a large and unexpected fall in income in the last three years. Better planning ahead might reduce the impact of such events.

¹³ The 5 areas are: making ends meet, keeping track of their finances, planning ahead, choosing financial products and staying informed about financial matters.

The FSA's financial capability programme (including our consumer communications) directly addresses the needs of those client groups that were identified in the baseline survey as being more vulnerable.

The FSA's Retail Distribution Review is considering ways to increase access to regulated advice for those segments of the population who could save but are not and those that are saving but not well. The aim is to enable consumers to access appropriate channels for provision of advice/distribution of products and for the industry to provide more transparent (and in many cases, simpler) ranges of products and services which are easily distinguishable and aligned to customer needs and wants.

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

We believe the target market can be effectively reached:

- At relevant life stages, e.g. buying a home, starting a family, preparing for retirement;
- Via trusted intermediaries, hence the focus of the National Strategy on seeking to expand the provision of basic generic financial advice through organisations that are already trusted by their clients;
- Through different routes and channels rather than one single delivery channel.
- At the point of contact, e.g. when considering whether to buy an insurance policy;

As noted in our response to AS5, consumer research suggests that no single delivery channel alone is likely to be effective in delivering generic financial advice. The Working Group on Generic Advice noted from their own review that face-to-face delivery is popular but does not appeal to all; that telephone advice is popular both with advice providers and many consumers; and that while there are still limitations to the reach of internet-based advice, for some sectors of the population this is now the channel of choice, particularly among young people and some older people.

To explore these issues further, we linked the data obtained from our baseline survey to Experian's Financial Strategy Segmentation model which provides more information about the channel preferences of those segments that currently lack financial capability. Groups which tend not to seek advice or who have never seen a financial adviser include many of the groups previously identified as having lower financial capability:

- Young people in the early stages of establishing careers and setting up home;
- Less affluent families who rely on credit to fund their lifestyle;
- Singles and lone parents with very poor means living in lower quality housing;
- Families in their later working years with below average income and low levels of saving;
- Elderly people living in poor circumstances who are reliant on the state pension..

When asked how well they can make decisions about financial needs without seeking advice, the following groups appeared to lack confidence:

- Young, successful professionals who have mostly remained single and child-free;
- Young people in the early stages of establishing careers and setting up home;
- Young single people surviving on relatively low incomes;
- Singles and lone parents with very poor means living in lower quality housing;
- Less affluent families who rely on credit to fund their lifestyle;

- Couples with young or school age children earning good incomes but with high commitments.

Almost two-thirds of people said that they do not know enough about pensions and investments to choose ones that are suitable for their circumstances without consulting a financial adviser, yet less than a third said they had received professional advice about planning their personal finances in the last five years.

We developed our *moneymadeclear* website with particular segments in mind - for example, our guides cover relevant life stages such as buying a home and managing in retirement. We have created these guides to be useful hooks to engage people on broader money matters and to lead consumers to the more detailed product sections. We also carried out a comprehensive programme of testing to ensure the new site appeals to and engages our target audience¹⁴ and we will continue to refine the content in light of the results.

We also aim to deliver information to our offline audience through our *moneymadeclear* information booklets. We are in the process of reviewing our distribution strategy. We hope to run a series of regional pilots with a few banks, building societies and credit unions to assess whether distributing our booklets through them would be an appropriate delivery channel and would help raise awareness that we provide this information.

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

See our response to AS3

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?

See our response to AS3

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

We would envisage a wide range of organisations and services referring people on to generic financial advice, at different points along the advice spectrum. This would include referrals to basic, entry-level advice provided by one of the many intermediaries now providing, or which may in the future provide, this service or to an existing or new free-standing service offering more in-depth advice. These organisations would include our partners in delivering the National Strategy for Financial Capability, such as teachers, youth workers, housing workers, carers, higher/further education pastoral services, employers and financial services firms, as well as solicitors, estate agents, newspapers, websites and so on.

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?

¹⁴ We are aiming particularly to reach a group known as 'Anxious Aspirants' – they are financially aware enough to know they need to do something about their finances, but they do not know where to start.

The Working Group on Generic Advice saw the need to ensure a clear distinction between generic financial advice and regulated advice, and a clear break in the process so that the consumer understood that the terms and nature of the advice were about to change. Any sign-posting to a commercial provider ought to be impartial, such as to a list of regulated advisers (e.g. our ‘compare products’ tool on www.moneymadeclear.fsa.gov.uk allows consumers to identify a list of providers).

The Working Group also considered the benefits of encouraging generic advisers to provide a summary of the generic financial advice session so that a consumer could take the basic data to any other provider of financial advice or products if they wanted more detailed advice or to make a purchase. The FSA’s regulatory regime does not prevent regulated advisers from using or taking into account appropriately detailed facts about the consumer recently recorded in a session with a generic financial adviser in meeting their own obligations to establish necessary information about the customer. However, the Working Group noted that experience suggests that there is considerable caution among regulated advisers, with some believing that they would be taking on liability for the suitability of the generic financial advice. This concern has also been noted as part of the Retail Distribution Review.

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

Following the initial work undertaken by the Working Group on Generic Advice, the FSA approached the Financial Services Skills Council (FSSC) to oversee the development of a set of quality assurance standards for generic financial advice. The National Occupational Standards for generic financial advice were approved in May 2006 and establish a benchmark for best practice. They form part of the National Standards Framework being developed across the entire financial services industry.

The standards establish a set of core skills and competences for those who engage in generic financial advice, whether in the commercial or voluntary sector. In total, the standards cover five key steps in the provision of generic advice:

- Engage with the consumer: establish reasons for seeking generic financial advice;
- Establish the consumer’s key financial concerns and gather relevant information;
- Identify and agree priorities and options for the consumer to enable informed financial choices;
- Identify ways of meeting financial needs for the consumer to consider;
- Refer the consumer to further financial information or advice.

An expansion of generic financial advice might be assisted by the development of a quality mark and/or voluntary certification scheme¹⁵ for advisers, which could help to build trust on the part of the consumer and help foster a common identity for generic advice providers. Such an approach has been successfully introduced for personal finance teaching materials in schools, where the Personal Finance Education Group (pfeg) currently administers a quality mark. Any provider of teaching material can apply to pfeg for their resource to be awarded the quality mark. In addition, pfeg trains and certifies consultants to help schools build a structured programme of financial education and maintains a database of financial sector

¹⁵ A certification scheme could be developed that provided for different levels of accreditation, reflecting the different skills and knowledge required to provide varying levels of advice.

volunteers who are willing to give one-off sessions in schools following lower-intensity online training from pfeg.

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

As noted by the Working Group on Generic Advice, concern about liability is often quoted as one of the main reasons why generic financial advice services are not as widely available as they might be. Generic financial advice would not be regulated, but advisers would still be subject to the common law and face liability risk. While there is nothing that can be done to remove this risk altogether, we believe steps can be taken to make it more manageable:

- setting out areas that are clearly generic financial advice would help reduce the risk that advisers stray into regulated territory (see our response to AS3 above);
- the establishment of a certification/quality assurance scheme might help to reduce variations in the quality of service and to raise standards overall (see our response to BS8 above);
- professional indemnity insurance can help cover some of the liability risk that remains.

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

We would anticipate the expansion of generic financial advice services having a very positive impact on the financial services industry. Consumers are likely to engage with the industry and have more confidence in making financial decisions. They are also likely to buy more savings and protection products that suit their needs and distribution costs should be lower for the industry as consumers are more likely to identify for themselves when they should buy a product and need less explanation about the products they are purchasing. Consumers are also likely to take on more appropriate levels of debt and be more likely to pay back the debt they do take on.

As we noted in AS6, we think there is scope for existing organisations to help meet the need for more in-depth preventative generic financial advice, alongside any new free-standing service(s). It is likely that crisis money advice services will experience an increase in demand for their services - at least in the short to medium term – as more people are referred for such help.

Some consideration ought to be given to any potential impact on the provision of existing providers. An expansion of generic advice will clearly be of benefit for many consumers, particularly where they do not currently have any source for financial advice or it replaces the advice of “friends and family”; but for other consumers, who can afford to pay, it might potentially result in some displacement of more commercial sources of financial planning advice, such as IFAs.

The Retail Distribution Review is considering the overall advice picture and how generic financial advice might fit with some of the regulated advice solutions that the industry is proposing.

Section C. Cost and funding

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

The Working Group on Generic Advice advocated the establishment of a network of generic financial advice services that were readily available throughout the UK and were provided free or at an affordable price. Responses to the July 2004 consultation document¹⁶ revealed a near complete consensus that generic financial advice should be available free at the point of delivery. Some respondents qualified their view by noting that the costs of free delivery might be excessive, particularly for a face-to-face service; others suggested that those who could, or those who wanted to, might pay all or some of the costs¹⁷, so long as everyone had access to a service at a price they could afford, which would mean some availability of a free service.

A previous study for the FSA of published research¹⁸ into the delivery of advice noted that there is a lack of research into consumers' willingness to pay for generic financial advice. It did note, however, that research by IFA Promotion¹⁹ into the attractiveness of fee-based remuneration may provide some indication of willingness to pay, and it also noted that research into initial disclosure for the FSA²⁰ found that some less financially sophisticated respondents would be decidedly unwilling to consider going for advice if a fee was charged. The conclusion drawn from this study was that, subject to further testing, if consumers are to be encouraged to use a generic advice service it should (at least initially) be provided for free.

The FSA's complete package of resources, consumer publications and online tools are provided free of charge.

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)?

The Resolution Foundation commissioned a report, in consultation with the FSA, to assess whether there is a commercial case for the provision of money advice: see *Generic financial advice - Evaluating commercial approaches (December 2006)*²¹.

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

The wider benefits are akin to those of education more generally, and are what we would term "high-level" benefits. We anticipate that the high level benefits would arise from raised awareness of, and education on, financial issues:

- Generic advice may allow consumers to make better informed choices relating to their tolerance of risk. That is, consumers may make more "efficient" investment decisions;
- Improved advice/awareness of financial issues could also be expected to raise private saving. In this event, there would be savings arising from a reduction in, for example, the public pensions burden.

¹⁶ *Building Financial Capability in the UK – the role of advice* (FSA, July 2004)

¹⁷ There is also an argument that consumers may attach more value to a service they pay for and be more likely to keep appointments

¹⁸ *Advice and the best way of delivering it: Literature survey for the Financial Capability Generic Advice project* (FSA Consumer Research 43, August 2005)

¹⁹ IFA Promotion, Omnibus Research, November 2004

²⁰ *Initial disclosure documentation research* (FSA Consumer Research 17, January 2003)

²¹ http://www.resolutionfoundation.org/pdfs/research_report_EvaluatingCommercialApproaches_21122006.pdf

- There may be additional benefits from improvement of competition conditions in financial markets. A key form of market failure in financial markets leading to less competitive pressures is asymmetric information, where one party has more information than the other. Greater consumer awareness may alleviate this issue;
- There may also be a reduction in fraud and mis-selling as consumers become more aware of financial issues, or have access to advice that they would not have had otherwise;

It is not easy to measure these benefits as there is such a wide range of other factors and influences involved.²²

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?

Both the financial services industry and society as a whole should benefit from the provision of a generic advice service and a more financially capable population. There is an argument, therefore, for funding to be sourced not just from the regulated financial services industry but from a wider range of financial services firms (i.e. those outside the scope of FSA regulation) and from other sources. The fees that we levy on the regulated financial services industry are obtained for a specific programme of activities, determined by the FSA Board, and would not be an appropriate source of funding for a new or expanded generic financial advice service(s).

<p>Section D: How can potential users be engaged?</p>
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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?

A key element of the National Strategy has been to improve consumers' levels of financial capability by working through trusted intermediary organisations that target certain groups. These organisations already have a trusted brand – and those working for them have established trusted relationships with their clients - and our experience to date suggests that, by offering a good source of impartial and trusted advice, the groups they are serving are more likely to engage with their personal finances.

FSA Consumer Research 43, which surveyed a range of research and literature on advice delivery channels, concluded that, in general, consumers are prompted to seek advice when:

- their finances have reached crisis point;
- they have been alerted to the fact that there is – or may be in future – a problem with their financial arrangements. FSA research confirms that being alerted to a problem (e.g. by an endowment re-projection letter) encourages consumers to get advice²³;

²² Academic research in the US on the effects of financial education in the workplace used a survey of households that included financial information, identifying those participants that had recently received employer-based financial education. The study then identified changes in savings patterns for those who had received financial education, which could then be used to derive some measure of the overall benefits.

²³ FSA Consumer Research 16 – Mortgage endowments: the consumers' view, December 2002

- their personal circumstances change – whether for better or worse. Event-led factors (such as getting a pay rise, getting married, buying a house or having children) are a major prompt²⁴;
- they have identified a need for financial product and want advice on what to buy; and
- advice is made available in the workplace.

However, it is the case that an intention to act does not necessarily translate into actual action. In this respect, consumers can be more motivated to act if they are aware of the benefits of doing so (or the costs of inaction).

When developing our consumer communications strategy, one objective has been to raise general awareness of the FSA as a trusted source of clear, impartial information for consumers. When identifying the target audience for *moneymadeclear*, the FSA also sought to identify ‘hooks’ for when our target group would be more receptive to information about their personal finances.

During our promotional advertising campaign focussing on insurance issues, information from *moneymadeclear* has encouraged consumers to find out what they were and were not covered for so that they could check to see that were not paying over the odds, and check that they had the cover they needed. In February and March 2007, while the campaign was running, we received around half a million visits to our website and our Compare Products tables, and there were some 3,000 downloads of the insurance checklist aimed at giving consumers a head start when buying insurance.

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

An attractive brand would have similar brand values to the *moneymadeclear* brand and all related information would adopt the same values so that consumers have a consistent experience of generic financial advice.

The FSA's own consumer communications have been developed in accordance with the following principles: that our communications are:

- Free
- Accessible – both in language and tone, and channel
- Factual – and not specific to the consumer’s needs
- Impartial – not attached to sale of financial services and/or products

These values are captured in the *moneymadeclear* brand which the FSA uses on all its consumer communications – whether online, in campaigns and, from June 2007, on its hard copy publications. Similarly, they have informed the development of our financial capability programmes, such as Make the Most of your Money, Learning Money Matters and Money Doctors. We have sought to establish identities that stand out, are memorable and which will resonate with those at whom they are aimed. We seek to ensure, as far as possible, that all our related information adopts the same values so that the consumer has a consistent experience of the basic information and guidance we provide.

From the consumer point of view, and to raise awareness of, and trust in, any new and/or expanded generic advice service(s), we believe it will be necessary to establish a clear

²⁴ FSA Consumer Research 1 – Better informed consumers, April 2000

identity for these services that could be used alongside existing brands. This identity might relate to a quality mark and/or certification scheme (see our response to BS8). Such an approach uses quality control to build trust and should be relatively low cost (by building on existing brand recognition and client bases). It would also accommodate any new free-standing service provision while encouraging widespread participation by others (a desirable "club" to join).

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.)?

The main conclusions of research commissioned by the FSA is that no single delivery channel alone is likely to be effective in delivering generic financial advice. Face-to-face, telephone and internet delivery channels all have varying appeal to different groups. Some positive and negative features of each delivery channel are identified below:

WEB	
Positive	Negative
If prior engagement exists, extremely cost-effective way of making resources very widely available	Without prior engagement, depends largely on high-profile marketing. For example, the New Zealand "Sorted" website became a household name only after an extensive (including television) advertising campaign.
High and still increasing penetration of household internet access; additional access points such as public libraries and internet cafes.	Limitations to reaching older people and those with reading difficulties or poor sight.
Technology provides for tools such as calculators (budgeting etc), debt tests.	Easy to disengage. In recognition of this, the FSA's Debt Test and Financial Healthcheck, which were launched on the BBC website, were deliberately kept short to encourage take-up and completion. The "Debt Remedy" tool provided by the Consumer Credit Counselling Service is designed to be completed in about 20 minutes.

TELEPHONE	
Positive	Negative
First choice medium for many people (including SMS messaging ('texting')/ call-back for young people)	Some aspects could be problematic for some people, particularly older people – such as automated call routing with long lists of numbered options to be keyed
If prior engagement exists, less costly than providing money advice face to face	Without prior engagement, depends on prior visits to related website and/or advertising
Overcomes accessibility issues – both geographical and mobility	Can be considered impersonal
Proven delivery examples in complex advice arena: NHS Direct, National Debtline, Consumer Direct, Community Legal Service	
	May have limitations for complex advice

FACE-TO-FACE	
Positive	Negative
Preferred medium for significant number of people and a highly desirable optional ingredient	Accessibility issues – geographical, mobility and time availability for working people

for many	
If grafted on to existing face-to-face advisory services, an effective way of reaching people at little direct cost compared with establishing a new service.	If set up as a new stand-alone service, expensive establishment costs. May be a lack of suitable premises available.
If grafted on to existing face-to-face advisory services, audience segment is already engaged with an advice source they have sought out and trust	If set up as a new stand-alone service, would depend on prior visit to related website, phonenumber or face-to-face service, and/or advertising
If grafted on to existing face-to-face advisory services, helps that intermediary organisation service its clients better	If grafted on to existing face-to-face advisory services, requires intermediary organisation service to access training
	If grafted on to existing regulated advisory structure then care would be needed to ensure a clear delineation between generic and regulated advice.

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

As noted in our response to BS10, we believe an expansion of generic financial advice services would lead to a positive change in consumer behaviour by helping consumers to make the right financial choices. Consumers are likely to buy more savings and protection products that suit their needs and, conversely, buy fewer inappropriate savings and protection products. Consumers are also likely to take on more appropriate levels of debt and be more likely to pay back the debt they do take on.

We have learned that testing and evaluation is key to designing and delivering a successful programme of initiatives. We make provision for evaluation of all our major projects and collect a range of information to assess success: for example, we survey participants before and after our workplace seminars (*Make the Most of Your Money*)²⁵. At the same time we recognise that evaluating the outcomes of behaviour change programmes is inherently difficult and we are exploring ways to develop our approach to measurement. We would hope that the model adopted to deliver a national generic advice service(s) makes adequate provision for testing and evaluation.

Section E: What should the governance arrangements look like?

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?

In establishing and leading the National Strategy for Financial Capability, the FSA has sought to involve a wide range of interests and experience in order to create a robust programme of action that takes account of the many stakeholders who have an interest in improving

²⁵ We set out in our *Delivering Change* publication (March 2006) how we proposed to measure the impact of the seven initiatives that make up our financial capability programme.

financial capability. The National Strategy is overseen by a Steering Group and has been supported by a number of Working Groups which involve representatives from government, the financial services industry, the not-for-profit sector, employers, trades unions, and consumer and educational bodies. We have found their experience invaluable in developing our delivery programme. We believe it will be important to draw on a similarly diverse range of interests in developing a strategy for expanding the provision of generic financial advice, ensuring broad representation in any new body (e.g. with responsibility for quality assurance) that may be established.

The National Strategy recognises that there are many initiatives and organisations working in the field of financial capability. We therefore ensure that our work complements rather than duplicates what is already out there. Our programme of financial capability initiatives will expand significantly the availability and delivery of entry-level generic financial advice and we anticipate that this will, over time, stimulate demand for a more in-depth advice service. We believe it will be important to ensure that the provision of any new service(s) should be designed to complement, and be integrated with, the existing advice network and with the National Strategy.

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

See our response to CS4. If the industry were to contribute, consideration would need to be given to the range of firms that should contribute funds (and this could be wider than the population of FSA authorised firms) and the metrics that should be used to determine an individual firm's contribution.

OPERATIONAL ISSUES

As set out above, the FSA provides a wide range of services and information for consumers. Our programme of financial capability projects, for example, involves the provision of a variety of entry-level generic advice services. Given the nature of the questions below, however, we have only provided information relating to our consumer contact centre and our consumer website (www.moneymadeclear.gov.uk). We would, of course, be very happy to provide information relating to other aspects of our work.

Section A: What is happening today, how and to whom?

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

The FSA's Consumer Contact Centre answers general enquiries about financial products and services and deals with the majority of enquiries from consumers and non-regulated firms who contact the FSA, whether by letter, email or telephone. We provide information and explanations to consumers on personal finance issues including financial products or the financial services industry as well as explain the complaints procedures for consumers to follow. We do not give advice on which financial products may be suitable for their individual circumstances or take ownership of any complaints themselves. Complainants are referred back to the company and/or the Financial Ombudsman Service (FOS).

We also provide impartial information on financial services and products through our range of information booklets, tools and the *moneymadeclear* website, as part of our overall consumer communications strategy. Our research shows that we are seen as an important and trusted source of information:

- 2.5 million visits to the consumer website in 2006 (an increase of 45% on the previous year). We aim to increase traffic to the FSA website to 4 million over the next three years;
- Almost 11 million consumer publications distributed in 2006;
- £4m invested in four advertising campaigns: *Mortgageslaidbare*, *Moneylaidbare*, *Pensionsmadeclear* and *Insurancemadeclear*;
- 73% of those surveyed following the *Pensionsmadeclear* campaign said that they felt better able to make an informed decision about their retirement planning as a result of our *Pensionsmadeclear* information;
- Two online tools, the *Debt test* (launched January 2006) and *Financial Healthcheck* (launched June 2005) have, together, had 1.8 million visits to date. We are syndicating these and other tools and information via a wide range of channels.
- In February 2007, while the promotional advertising campaign focussing on insurance issues was running, we received around half a million visits to the website and our Compare Products tables, and 3,000 downloads of the insurance checklist aimed at giving consumers a head start when buying insurance.

AO2: How is your advice delivered (eg face-to-face, web-based or telephone)?

Consumers are able to access a wide range of information on our website, or contact us by telephone, email and letter. Nearly 90% of consumers who contact us directly do so by telephone.

The majority of calls that the FSA receives from consumers and non-regulated firms are dealt with by our dedicated call centre. It handles around 20,000 calls a month on subjects ranging from "how do I make a complaint about my bank?" to "I've been told I've won the Canadian Lottery and want to know how I can claim my winnings". If our dedicated call centre is unable to deal with a call because it is too complex or technical then it is transferred to our specialist complex query team. If the call centre cannot deal with the call because it relates to another organisation's area of competence eg trading standards, the caller is given the appropriate contact details. The Consumer Contact Centre is also responsible for the distribution of the FSA's consumer publications.

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

The FSA is the main statutory regulator for the UK financial services industry. We are an independent non-governmental body, given statutory powers by the Financial Services and Markets Act 2000. We are a company limited by guarantee and financed by the financial services industry.

The Treasury appoints the FSA Board, which currently consists of a Chairman, a Chief Executive Officer, three Managing Directors, and 9 non-executive directors (including a lead non-executive member, the Deputy Chairman) drawn from industry, consumer and other backgrounds, all representing the public interest. The Board sets our overall policy, but day-to-day decisions and management of the staff are the responsibility of the Executive.

Our Consumer Contact Centre and *moneymadeclear* website specifically helps the FSA to achieve two of our four statutory objectives:

- promoting public understanding of the financial system; and
- securing the appropriate degree of protection for consumers

The Consumer Contact Centre's key objectives are as follows:

- 1) To provide an effective and efficient telephone service to consumers, and to ensure that the advice and guidance given is up to date, accurate and complete.
- 2) To provide an effective and efficient correspondence reply service to consumers, and to ensure that the advice and guidance given is up to date, accurate and complete.
- 3) To provide a first class front line service in screening and solving all queries, liaising with specialist staff where appropriate on complex queries, to ensure an accurate and timely response. To ensure that the interface with other areas of the FSA is efficient and effective, and maintains the service provision.
- 4) To recognise and flag situations where there is potential risk to the FSA Objectives. To provide full feedback to FSA colleagues on issues of concern to consumers, and to play a key role in the FSA's consumer education work.
- 5) To ensure that all systems and procedures within the Consumer Contact Centre are efficient and effective, and that maximum use is made of all resources.

- 6) To ensure that all staff work productively and accurately, and that they are fully trained and developed for the benefit of themselves, the Division and the FSA.

AO4: How is your service funded?

We are a company limited by guarantee and our budget is met from a levy on the firms we regulate. We receive no funding from the taxpayer.

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

The FSA's consumer communications strategy (including *moneymadeclear*) takes into account the needs of those client groups that were identified in our baseline survey as being more vulnerable, including the mass market of under-40's. The Consumer Contact Centre's customer is, to some extent, dictated by the product markets we regulate, although our role in promoting public understanding of the financial system goes much wider.

<p>Section B: What should the scope of national approach to generic financial advice be?</p>

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

The FSA's consumer communications strategy (including *moneymadeclear*) takes into account the needs of those client groups that were identified in our baseline survey as being less financially capable – for more details see our response to BS1. We have put a programme of evaluation in place to measure both quantitative and qualitative indicators of success; further detail on the results of this research will be available shortly.

The Consumer Contact Centre does not have a target market and responds to all customer queries irrespective of their nature.

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

The Consumer Contact Centre received in excess of 215,000 calls in 2006 plus over 28,000 items of correspondence. The following list broadly represents the range of products to which those queries related:

- Life insurance (mostly endowments)
- General insurance
- Investment products
- Mortgages
- Deposit taking
- Consumer Credit
- Retirement products
- E-money
- Health insurance
- Equity release

The range of queries we receive is extremely wide. Most common are requests for one of our consumer publications, but we also receive complaints against regulated firms, queries regarding the authorisation status of particular firms and inquiries about specific FSA rules, to give just a few examples. On a major issue such as endowment re-projection letters we have responded to many people who wanted help to understand the underlying issues, for example what is an endowment, what is a projection, the difference between repayment and interest-only mortgages etc.

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?

We do not turn any consumers away, be it written or over the telephone. However, we will refer consumers on to other organisations if this is appropriate to their needs. Those organisations we most commonly refer people to include the FOS, Financial Services Compensation Scheme (FSCS) or Office of Fair Trading (OFT).

BO4: If you operate some form of "triage" or "sifting" of calls what criteria do you use?

At the moment callers to the FSA helpline go through an initial Interactive Voice Response (IVR) process which gives them three options: 'endowments'; 'mortgages & general insurance' or 'other'. They would then be put through to one of those three call handling teams. However, as the nature of the calls is changing so this system is being phased out – this mostly reflects the reduction in the number of endowment-related calls we are experiencing. Most of the calls are handled by our dedicated call centre. However, where a specialist response is required these come through to a specialist complex enquiry team.

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

Our referral policy is dictated by the legal boundaries separating ourselves and other organisations. So, for example, consumers with a complaint about a particular firm may be referred to the FOS, consumers with an issue related to consumer credit may be referred to the OFT; and those trying to gain compensation from a firm no longer trading may be referred to the FSCS. In each instance we will try to establish beforehand that the consumer has a valid case before referring them, in order not to create unnecessary traffic. If a consumer wanted specific financial advice we would not refer them to a particular financial advisor but we would, if asked, give them contact details of one of the IFA organisations such as IFA Promotion or the relevant trade body.

Our *moneymadeclear* website clearly sign-posts consumers to other non-commercial agencies and government organisations that can provide further information.

BO6: What management information do you capture?

The Consumer Contact Centre collects data on the products consumers inquire about, the nature of those queries, the firms they relate to and the demographic make-up of the consumers themselves. This information is input to a monthly query report which is circulated to interested parties in the FSA including firm supervisors, those working on thematic projects and senior management. We also have set service standards for call and

correspondence handling, which we review regularly, and a programme of quality monitoring for both calls and correspondence.

The average call length is approximately 5 minutes and is relatively constant.

We collect a range of non-personal information in respect of *moneymadeclear* :

- Number of visits to the website
- Most popular pages visited
- How consumers reached the site (eg. search engine)
- Number of booklets ordered
- Top titles and who ordered them (eg. advice agencies, consumers)
- Targeted research on attitudinal/ behavioural change.

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

We have various mechanisms in place to monitor the quality and consistency of the Consumer Contact Centre's output. Our technical support team provides the contact handlers with training on the variety of product areas on which we receive queries, as well as supplying briefings on hot topics. Similarly, we operate a programme of quality monitoring to ensure the responses to both calls and written correspondence are accurate and appropriate. Under the quality monitoring guidelines, 80% of calls and correspondence have to pass the set quality standards.

We also operate an extensive bi-annual customer satisfaction survey of both written and telephone customers, to ensure we are meeting the needs of those customers in terms of our response to their queries. This is in addition to a smaller monthly survey of callers which we use to constantly review and monitor the service we provide.

Any complaints received about us go through an established complaints procedure, handled firstly by an independent department of the FSA and then, if the complainant remains dissatisfied, by the Independent Complaints Commissioner.

We also undertake a four monthly audit of our *moneymadeclear* website to check that the content is correct and up to date. Our suite of publications are also regularly reviewed and updated to reflect any changes that arise out the website audit.

BO8: How do you deal with questions of liability for inappropriate advice (eg indemnity insurance)?

We do not offer regulated advice to consumers. Under the Financial Services and Markets Act 2000, the FSA and its staff are given statutory immunity from liability in damages for things done during discharge of their functions.

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

As mentioned above we handle most training in-house through our dedicated technical support team, the main costs being salary-related. This team deliver bespoke training sessions

on specific product areas for our contact handlers as well as providing briefings on hot topics. Formal training is also provided on call-handling and correspondence-handling, and staff are offered the opportunity to take the Chartered Insurance Institute's Certificate in Financial Planning qualifications. All new starters are required to go through a defined training programme of the above before they are allowed to handle customer queries, which usually takes about a month. Subsequent formal training is then given according to needs. We also offer staff informal training as and when necessary.

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

We employ 25 advisers in our bespoke call centre with pay ranging between £15,000 and £18,000 per annum. Our 13 specialist call handlers are paid, on average, between £18,000 and £24,000 per annum.

BO11: Who are your advisors (background, level of service etc...)?

Our call-handlers and correspondence-handlers come from a variety of different backgrounds. The majority have previous financial services or customer service experience and in some instances a combination of both. On average staff tend to remain in position for approximately 12-18 months before moving on, often internally within the FSA.

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

We already have an established relationship with most of those organisations to which we most commonly refer consumers. For instance, the FSA has a team dedicated to liaison with FOS and FSCS. We are also looking to improve these relationships still further by organising more regular dialogue on an operational level.

We also share information with organisations such as Citizens Advice, the OFT and DirectGov so that they are kept up to date with our activities. We link to websites that can give consumers further information, and encourage other websites to have links to us. We will be looking to work more proactively with a range of partners, such as government departments and agencies, voluntary sector, and financial services firms, so we can get our materials to a much wider audience than we currently do.

<p>Section C: Cost and Funding</p>

As we are a regulatory body established by statute we do not operate within the same financial parameters as for-profit organisations. For example, we do not have to show a return on capital. Similarly, the statute requires that we are funded directly from the financial services industry.

Operational model

In terms of the operational model of the Consumer Contact Centre and how the different components relate to each other it is split into three main teams:

- Dedicated Call Centre
- Complex Query & Correspondence Handling Team

- Technical Support Team

As mentioned in Questions AO1 and AO2 above the majority of calls come through our dedicated call centre of approximately 25 advisers. More complex queries are passed on to the team of 13 Contact Handlers, who also deal with all the correspondence (including via email) which comes into the FSA from consumers and non-regulated firms. The Technical Support team of 4 staff are responsible for providing training, support and guidance to the Consumer Helpline and the Contact Handling Team.

Key data

In order to monitor the performance of the Consumer Contact Centre we collect data on trends, topics, products, firms and demographics. This is inputted into a monthly query report which is circulated to interested parties in the FSA including firm supervisors, those working on thematic projects and senior management.

We also have set service standards for call handling, which we consistently meet. These are, along with the relevant results for 2006, as follows:

Service Standard	Results for 2006
The abandonment rate on calls should be less than 5%	Call centre 3.3% Complex query handling 2.7%
80% of all calls are to be answered in less than 20 seconds	Call centre 81.5% Complex query handling 98.1%
80% of queries are to be answered on the first contact	Call centre 95.8% Complex query handling 86.2%

Similarly, 90% of all correspondence queries are to be resolved within 12 days of receipt - in 2006 the FSA resolution rate was 97% within that 12 day period.

Effectiveness of our service

As indicated above we conduct a bi-annual customer satisfaction survey which indicates how our telephone service is being received by the people who contact us, as well as identifying what the key drivers are behind their perception of this service. In the most recent survey conducted at the end of last year 81% of respondents said they were either very or fairly satisfied with the service we had provided.

Section D: How can potential users be engaged?

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

In developing our consumer communications strategy for our *Moneymadeclear* website, tools and information booklets we drew on the results of the Financial Capability baseline survey and undertook:

- a consultancy exercise with stakeholders;

- consumer testing on designs for our website and publications;
- consumer testing on usability of our website.

There was no direct need to conduct initial market research in establishing the Consumer Contact Centre as the scope of this service is determined by the nature of our statutory remit. The service has responded to natural demand from people contacting the FSA usually in relation to complaints against firms. As issues such as endowment mortgages emerged and were researched, our service was developed to meet that need. More generally, as the service has evolved we have gathered an increasing amount of information about our customers which has enabled us to improve our service where appropriate²⁶. Surveys reveal that approximately half of our customers are aged 35-54 and a third are aged 55+. We would be happy to provide more detailed information relating to our customers' profile.

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

We have a sustained programme of promotional campaigns in place with an annual advertising spend of £2m to promote *Moneymadeclear* as a source of impartial information on financial services and products.

In the promotional advertising campaign to promote www.moneymadeclear.fsa.gov.uk in February 2007, particularly insurance issues, the FSA used the following mix of media channels:

- Newspapers (including the Sun and the Daily Star);
- National and regional radio (including Virgin Radio and Heart);
- Internet service providers (including Tiscali, Orange and Virgin);
- Lifestyle websites (including Autotrader, Babyworld and lastminute.com)

The campaign also trialled the use of an audio podcast and text mobile advertising.

DO3: How has your service evolved over time?

Our Consumer Contact Centre service has changed in line with the expansion of our regulatory remit and developments in individual markets. When mortgages and general insurance were added to our remit, in October 2004 and January 2005 respectively, the range of calls and correspondence we received increased accordingly. Similarly, as the number of calls regarding endowments has fallen in recent times we have fewer staff specifically dedicated to this area.

DO4: How did customer usage build up over time?

Call volumes have remained relatively consistent at approximately 20,000 per month since the introduction of mortgage and general insurance regulation. However, written correspondence has gradually increased since the middle of last year, in particular that received via email. Monthly volumes are now 2,500 items compared to around 1,800 in April last year.

²⁶ Our bi-annual customer satisfaction survey is the key example of this.

We have set ambitious targets to increase annual visits to www.moneymadeclear.fsa.gov.uk from 2 million to 4 million over five years. In February and March 2007, while the promotional advertising campaign focussing on insurance issues was running, we received around half a million visits to the website and our Compare Products tables, and 3,000 downloads of the insurance checklist aimed at giving consumers a head start when buying insurance.

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

There is a programme of evaluation in place to measure both quantitative and qualitative indicators of success of our consumer communications strategy, including *moneymadeclear*. The statistics in DO4 show how many people accessed *moneymadeclear* during the promotional advertising campaign. We also make extensive provision for evaluation of other projects that make up our Financial Capability programme.

In respect of the Consumer Contact Centre, we obtain relevant information from our bi-annual customer satisfaction survey. Two thirds of those most recently interviewed had either already taken some action in response to the advice they had received or were going to do so. Of these consumers 75% said that the FSA response had influenced that decision. A high proportion of our customers necessarily need to take their inquiry further with other organisations. It is the FOS not ourselves, for example, who deal with specific complaints about firms, and the OFT who deal with the area of consumer credit. The relatively high level of customer satisfaction achieved (see Effectiveness of Service above) suggests that most customers feel our responses here are appropriate.
