

Annex 3

Advice protocols for generic financial advice

3.1 The content of the generic financial advice (GFA) provided by the prototype services was guided by a set of advice protocols. The protocols established the breadth and depth of the guidance and were developed with input from third sector advice providers, the financial service industry, the Financial Services Authority (FSA), the prototype operators and legal expertise.

3.2 The Review team is grateful for the support and critique from all those who participated in the development, testing and evaluation of the protocols.

3.3 The attached paper *Review of the Advice Boundary of the Prototype Services* by a consultant to the Review team, Nick Lord, explains the development of the protocols and includes the review's response to the Pomeroy Report recommendation that the role of GFA be considered with regard to informal saving schemes. The paper also sets out the learning points from testing the protocols in the prototype services. It concludes that the advice protocols were successful at containing GFA outside current FSA and Office of Fair Trading regulation.

Review of the Advice Protocols Used in the Prototype Generic Financial Advice Services

1. Introduction

1.1 The content of the generic financial advice (GFA) provided by the prototype services was guided by a set of advice protocols. These protocols¹ confirmed the objectives for GFA and established the breadth and depth of the prototype services. The providers of the prototype services used the protocols as primary material in developing training manuals and in training their advisers.

1.2 The purpose of this paper is to explain the background to the development of the advice protocols and to set out the learning points identified in their evaluation that should be considered in the further delivery of a GFA service.

1.3 Overall, there is a positive message. All stakeholders considered that the protocols were largely effective, covered the majority of bases, were understood by advisers and helped secure positive outcomes for clients. They can be seen as a sound basis for larger scale testing of a future GFA service.

1.4 As expected, the testing of the protocols identified several learning points that should be carried forward to the future piloting of GFA. Some of these points may seem to be self-explanatory to those already providing regulated or generic advice, but it is nevertheless important that they are recorded.

1.5 The appendix to this paper reports on the role of GFA in providing advice and information on informal savings schemes. The appendix originates in a recommendation from a previous Government Review rather than from the evaluation of the prototype protocols. It is included here because it includes further learning points for future protocols.

2. Developing the GFA service protocols

2.1 The possible content of the advice to be delivered within GFA has been increasingly discussed in recent years. Work by the Financial Services Authority (FSA), the Financial Services Skills Council, Resolution Foundation, the free-of-charge debt-advice sector, and others, has considered the breadth and depth of a possible advice service.

2.2 The work to develop the prototype advice protocols started from a review of this previous work, and was supplemented by first-hand experience of providing generic advice. The content was then further influenced by the responses to the Thoresen Review Call for Evidence and by subsequent detailed discussions with stakeholders from the financial services sector, not-for-profit organisations, FSA lawyers and the prototype service providers.

¹ The protocols are reproduced at the back of this document.

2.3 Previous debate had generally concluded that a GFA service should aim to cover a wide range of financial topics and life situations. This thinking was substantiated by respondents to the Thoresen Review Call for Evidence, who confirmed that GFA should cover a wide range of topics:

- social security benefits and tax credits
- debt
- budgeting
- savings and investments
- protection insurance
- consumer credit and other borrowing
- taxation
- financial implications of life changes
- pensions
- consumer redress
- utilities.

2.3 It was also noted that the topics to be covered by a GFA service would probably change over time to meet consumer demand and to reflect developments within the personal finance sector. Periodically, the service would need to review the range of advice protocols to ensure that they properly meet clients' needs.

2.4 The limited timescale for establishing the prototype services meant that adopting a full range of advice coverage was unrealistic. A pragmatic approach was therefore taken and the number of protocols limited. The final list was as follows:

- The 'Common' Protocol, which set down the general advice boundary for the prototype service.
- Six subject protocols, covering:
 - credit advice (including handoffs to debt advice)
 - insurance protection
 - pensions
 - tax credits and social security benefits
 - mortgages
 - savings and investments.

2.5 The Common Protocol was seen as the key guidance paper. This protocol:

- confirmed the Review team's working aims: that GFA will make consumers better able to identify and understand their financial needs and plan their finances, and that more engaged consumers will be able to interact with the financial services sector on a more equal footing;
- set down a boundary between generic and regulated advice to ensure the prototype service maintained a clear differentiation with regulated advice;

- defined the range of other organisations and sources of information that the prototype service should use as referral outlets, both for clients needing specialist advice (e.g. those with significant debt problems) and where GFA had reached its limits (e.g. where clients of the prototype needed advice on specific financial products from a specific provider).

3. Evaluation of the protocols

3.1 The prototype protocols have been evaluated by:

- discussions with prototype advisers
- review of a sample of telephone calls to the prototype service
- feedback from industry observers of the prototype service
- stakeholder feedback at a meeting at HMT
- independent evaluation of the prototype services, including analysis of the feedback provided by users.

The following points have been identified as being important for the development of future protocols.

Adviser knowledge, training and confidence

3.2 One of the objectives for the prototype services was to test out both experienced and less experienced advisers. Therefore, the protocols did not assume any specific level of knowledge or training for the prototype advisers.

3.3 Review of telephone calls together with feedback from the industry observers and other stakeholders confirms the importance of adviser skills, experience and confidence in providing GFA. In particular:

- 'soft' skills are seen as essential for building the necessary rapport with clients, and
- adviser confidence seemed to be highly linked to the adviser's previous life experience.

3.4 In some cases, it was evident that the prototypes provided advice that was more limited than anticipated. This was at least partly linked to a lack of adviser experience and confidence together with the necessarily short training period allowed in establishing the prototype services. It seems probable that the range of advice would have become less restricted over time as advisers gained experience and confidence and fully utilised the protocols. However, the fact that the restriction was noted suggests that future protocols should state the assumed or required level of adviser training and experience. This should increase the likelihood that the full scope of the protocols will be utilised.

Learning Point: To enable the protocols to be fully utilised, future protocols should state the assumed or required level of adviser training and experience and should include reference to soft skills and life experience.

3.5 A further evaluation point concerning adviser training and experience is the need for future protocols to stress and support that GFA must provide advice and information on topics additional to those raised by the client.

3.6 Providing a broad range of advice is a crucial element in delivering an effective GFA service. This involves prompting the client into asking additional questions and/or the adviser into providing unsolicited information or advice that will benefit the client. It is not sufficient to rely on clients to ask the 'right' questions. A lack of financial capability/experience/confidence often means that clients do not know the right questions to ask, may be unaware of how the answer to their question(s) should naturally lead to other questions, or do not understand how changes they make in one area of their personal finances will impact on other areas.

3.7 The prototype Common Protocol did stress the need for advisers to offer guidance that 'joins up' the range of advice topics. However, the individual protocols could have done more to ensure that advisers were encouraged and assisted to take a more overall approach with their clients. The fact that the protocols concentrated on types of products (mortgages, savings etc.) did not encourage advisers to link up advice topics once an individual type of product was under discussion. Future protocols should take this into account.

3.8 One way to join up the range of advice topics would be to produce protocols that cover particular life events. Future testing of GFA should pursue this development.

3.9 Some stakeholders have suggested that decision trees and other computer-based aids could be useful tools to help advisers join up the range of advice topics. Alternatively, or in addition, the range of examples included in the advice protocols could be expanded to better illustrate how financial topics are related.

Learning Point: Future testing of generic advice should encourage advisers to go beyond the client's presenting problem or question. Individual topic protocols should include an expanded list of questions to illustrate typical additional areas of advice and information, and consideration should be given to the use of decision trees and similar computer aids. Additional protocols should be provided to cover life events.

The regulatory boundary²

3.10 A key aim for the protocols was that they should provide robust ring-fencing for the breadth and depth of the prototype service to ensure that it did not overstep the regulatory boundary. The Common Protocol specified that the prototype advisers would not make recommendations to buy, surrender or change a specific financial product from a specific provider of financial

² A separate paper more fully discusses the impact of the regulatory boundary on the prototype service. This paper is at Annex 2.

services. 'Financial product' was widely defined to include the full range of financial products and services that could impact on the clients of the prototype service and not only those products covered by the mainstream financial services sector.

3.11 Feedback from the prototype advisers indicates that this regulatory boundary was an initial matter of concern. The more experienced advisers wondered whether their work would be unduly restricted as the protocols limited their ability to offer advice on specific products already held by clients, even where (for example in the cases of high-interest credit card debt or expensive utility providers) the adviser was used to recommending that the client should change their product. The less experienced advisers and those responsible for writing training materials were understandably focused on the need not to overstep the regulatory boundary and this seems to have been the primary focus in the initial stages.

3.12 The experienced advisers reported that their concerns about the regulatory boundary reduced as the prototype progressed and they realised that the boundary still offered ample scope for assisting their clients. Reviews of the calls of inexperienced advisers suggests that they continued to find it difficult to provide the anticipated range of generic advice, but it is unclear whether this was a consequence of their inexperience and lack of confidence or whether they continued to feel hindered by the need to maintain clear water with the regulatory boundary.

3.13 The Common Protocol tried to balance the requirement to maintain clear water between GFA and regulated advice by stressing the positive aspects of GFA and clarifying what advice could be given without any impact on the boundary. It is important that future protocols should continue to stress and develop these positive aspects.

Learning Point: Future protocols should stress and develop the positive aspects of GFA and illustrate how far a GFA service can go without overstepping the regulatory boundary.

The breadth of a future service

3.14 Paragraph 2.4 explains that, for pragmatic reasons, the prototype protocols were restricted to six topics.

3.15 Feedback from prototype advisers is that this limited list of topics covered over 90 per cent of enquiries to the prototype service. This left a small minority of enquiries (often asked on a one-off basis) not covered by the protocols.

3.16 All previous thinking on the development of a GFA service has concluded that the service should have a wide remit. This was confirmed by respondents to the Thoresen Review Call for Evidence and has again been agreed by stakeholder feedback in the evaluation of the prototype protocols. It is also again important to set the prototype adviser feedback against the limited nature of the prototype service.

3.17 It therefore seems appropriate that future testing should cover an expanded range of protocol topics. As discussed in paragraph 3.7 and 3.8, it is important that this range includes life events as well as types of products.

3.18 It is also important to note that the prototype protocols were written to reflect the early thinking of the Review team on the likely target market for generic advice. This early thinking had identified that 7.5 million people could most benefit from a GFA service and that a further 11.7 million would have significant generic advice needs. Further research and development work as described in the Final Report has confirmed that the reach of GFA is potentially much wider than originally identified and for which the protocols were designed. Future testing must take account of this development.

Learning Point: The list of protocol topics for future testing should be expanded to include the full range of financial products and life events.

Referrals to other agencies

3.19 The prototype protocols included guidance on when clients should be referred or signposted to other agencies. Evaluation of the protocols has confirmed the importance of a GFA service ‘joining up’ as much as possible with other providers of advice, whether that other advice is regulated or unregulated or provided on financial or non-financial issues. This is a key learning point in ensuring the usefulness of the prototypes and the requirement that they lead to client action.

3.20 In particular, evaluation of the protocols has identified that future protocols should be expanded to include:

- details of arrangements with referral agencies under which those agencies will accept ‘warm’ referrals of clients – warm referrals may include the generic adviser providing a dedicated telephone number for the client to contact, an immediate transfer of the client to the referral agency, or the adviser making an appointment for the client to speak with the referral agency
- the need for generic advice to always consider the appropriateness of advice and information on topics other than that for which the client is being referred
- more detail on the circumstances that should result in clients being referred to other agencies
- the need for generic advice to provide information about the role of the referral agency, and to suggest how clients can best prepare for a discussion with the referral agency.

Referrals to other organisations – informed referrals or signposting

3.21 One important area for consideration in future protocols is whether referrals should be a ‘signpost’ referral, with the client simply being provided with the public contact details of the referral agency, or an ‘informed’ referral, with the client being provided with additional help, such as a dedicated telephone number or an appointment booking service.

3.22 The prototype service mainly relied on signposting as the major referral method. Warm referral arrangements were made for referrals to face-to-face debt advice agencies and to the Pensions Advisory Service (TPAS). Stakeholders agree that smooth, seamless referrals will significantly enhance the effectiveness of a future GFA service and that future protocols should therefore develop the range of warm referrals.

Learning Point: Future testing of generic advice should develop arrangements for the 'warm' referral of clients to other sources of advice.

Referrals to other agencies – the importance of additional advice

3.23 Analysis of a sample of the prototype calls shows that 29 per cent of the clients advised by telephone or face-to-face were referred to other sources of information and advice. The referrals were always appropriate in that it is reasonable to assume that the client would have been able to have accessed additional information and/or help from the referral agency. However, most referrals were made without consideration of whether the prototype service could provide additional advice and information in addition to the onward referral. For example:

A caller asked for advice on the best ways of saving for her two young children. Both children had existing equity based Child Trust Funds and the caller specifically asked whether she should add to these accounts or open an alternative cash savings account? The adviser suggested that the caller looked at the FSA Moneymadeclear website for a comparison of different savings accounts.

3.24 In this situation, it would have been helpful if the adviser had discussed the different implications of saving within a Child Trust Fund and a mainstream savings account to help the caller decide which option best suited her and her family. The referral to Moneymadeclear did not help the caller answer her presenting question.

3.25 Stakeholder feedback has confirmed that a GFA service should always strive, where possible, to identify and discuss wider financial issues in addition to referring or signposting a client to another organisation. Future protocols should stress this provision.

Learning Point: The Common Protocol should include more information about onward referrals and how the GFA service should always look to provide advice and information in addition to referring the client.

Referrals to other agencies – criteria for referring clients

3.26 The prototype Credit Advice Protocol included detail on situations when clients with outstanding debt should be referred to specialist debt advisers. Feedback indicates that this was helpful in determining the demarcation line between generic advice and specialist debt advice.

3.27 The other prototype protocols provided less detailed guidance for situations where clients should be referred on for specialist advice, such as advice on pensions, or when it is best to seek regulated advice. Stakeholder feedback supports the suggestions that future testing should develop detailed advice in all areas of possible referral so that the GFA service refers people at the right point.

Learning Point: All future protocols should set down detailed criteria for when clients should be referred on to other specialist agencies.

Referrals to other organisations – information on referral agencies

3.28 In nearly all of the sample calls evaluated for this paper, callers who were referred to other organisations were given no or very little information about the organisation to which they were being referred, other than the contact details. This often felt unsatisfactory for the client. For example:

A caller explained that she was thinking of buying extra years in the NHS pension scheme. Was this a good idea? The adviser referred the caller to TPAS but did not explain what TPAS was, whether its advice was free and independent, whether it was an industry or government agency, or what it could offer to the caller.

3.29 For future prototype testing, it is important that clients are given information of why they are being referred, how the referral agency operates (whether it is a government agency, third sector agency, commercial agency etc.), what the client can expect from the referral agency, and what questions they should ask. Such information could well be provided on a scripted basis.

Learning Point: Any future testing of prototype generic advice should ensure that clients being referred to other agencies are briefed on the referral agency and what they can expect from that agency.

Client information

3.30 The prototype protocols made no reference to whether and how the service should collect client information. This matter was left to those collecting and evaluating the management information needed from the prototypes. The decision was subsequently taken to ask details about the client's personal and financial circumstances at the end of the advice process.

3.31 Stakeholder feedback suggests there is potential for a better advice outcome if basic information about the client is sought at the start of the discussion. This should enable the adviser to build a 'picture' of their client and the way in which they can be helped by GFA. It could also provide a basic client record to enable a better service for repeat clients. Some stakeholders suggest that a decision-tree approach could be used to build a discussion based on this client information.

3.32 However, other stakeholders have urged caution in this area, warning that clients could be put off by an early request for personal information and that this approach could seem akin to a regulated advice discussion.

3.33 This argument seems finely balanced. Much may depend on the soft skills of the generic adviser and their ability to build a rapport with their client. Another factor will be whether the client understands that the generic advice service is truly independent and will not attempt to recommend or sell any specific financial products.

Learning Point: Future protocols should establish and set down the range of basic client information that should be sought at the start of the advice discussion and the extent of such information. The use of decision trees and/or structured conversations should form part of future testing in this area.

Cross-channel protocols

3.34 The prototype protocols did not differentiate between advice given by telephone, face-to-face or via a website. This was a pragmatic approach due to the time constraints. While evaluation of the protocols has not identified any specific need for a variation of protocols according to the channel of delivery, this is an area for consideration in future testing.

Learning Point: Future protocols should determine whether and, if appropriate, how future GFA delivery should vary according to the delivery channel.

4. Conclusions

4.1 The protocols seem to have formed a good basis for the delivery of advice from the prototype service, and the service providers found them useful and appropriate. They can be used as a sound starting point for the future testing of the GFA service. However, there is a general feeling among stakeholders that the protocols have not yet been fully tested because of the limited depth of some of the advice provided by the prototypes.

4.2 Further assessment of an expanded prototype service should allow for a wider range of protocols and consideration of the learning points made in this paper.

Appendix

Generic Financial Advice and Informal Savings Schemes

1. Introduction

1.1 A key message for clients of a generic financial advice (GFA) service is the benefit in planning ahead to meet periodic or unexpected expenditure.

1.2 Christmas spending is an obvious example of periodic expenditure. Such spending can be high, and putting money aside throughout the year can particularly help those on limited means to meet the costs of Christmas.

1.3 The advantage in saving for Christmas has resulted in a range of informal savings schemes. One example is the Christmas hamper market. Consumers save money throughout the year, which can then be used to buy a Christmas hamper. Other alternative schemes allow for the purchase of vouchers to be used to pay for Christmas goods in specific shops.

1.4 The importance of Christmas savings schemes was highlighted by the collapse of Farepak Food & Gifts Ltd in October 2006. More than 150,000 people lost an average of £400.

1.5 In November 2006, the Economic Secretary asked Brian Pomeroy, the Chairman of the Financial Inclusion Taskforce, to investigate the Christmas savings market and to look at which consumers use hamper schemes and similar vehicles instead of mainstream financial services products, why they should opt to make use of such schemes, and, in the light of this, to consider how the savings needs of this group of consumers might be better met.

1.6 Pomeroy reported in March 2007.³ He made various recommendations, including a specific reference that the Thoresen Review should consider the role of GFA in providing information and guidance on informal savings schemes.

1.7 This appendix responds to the Pomeroy Review recommendation and discusses how and whether GFA can be given on informal savings schemes.

2. Key points for the Thoresen Review arising from the Pomeroy Review and subsequent activity

Providing advice on alternative savings *is* appropriate to meet the client need in a future GFA service.

2.1 The Pomeroy Review identified that Christmas hamper customers come primarily from households with low incomes (either on benefits or on low wages, or a combination of the two) and are relatively unsophisticated financially. They are more likely to be unemployed, in part-time work or in

³ <http://www.hm-treasury.gov.uk/media/2/8/pomeroyreview280307.pdf>

receipt of benefits than the UK average. Many have young families or young grandchildren, and women predominate. The total customer base (using industry figures) is estimated at around 700,000.

2.2 The customer profile identified by Pomeroy clearly suggests a potential vulnerability to the consequences of poor decision-making. These customers are also likely to fall within the 'most vulnerable' cluster of consumers identified within the Thoresen Review Interim Report.

2.3 Moreover, Pomeroy also identifies that although low-income households appear to make up the greater part of the market, there is evidence that some better off and more financially sophisticated households also use alternative savings.

2.4 It is therefore evident that a future GFA service should include reference to alternative savings in meeting the information and advice needs of its clients.

Advice on options for informal savings requires more consideration of non-financial factors than is generally provided by regulated financial advice and is therefore well suited to GFA.

2.5 Saving for Christmas, or indeed for any other purpose, through an informal savings scheme would not generally be recommended by regulated financial advisers. Indeed, regulated advice would often view such schemes as positively bad news for consumers. Informal savings schemes generally offer no or little interest on money saved, make it difficult or impossible to withdraw money early without a financial penalty, and severely restrict the consumer in the way in which the money saved can be used.

2.6 The Pomeroy Review conducted workshops with hamper customers to ascertain the reasons why consumers chose to save in a way that did not offer the optimum financial benefit. The results showed that consumers had well defined reasons for saving within informal savings schemes:

- The schemes provide an assurance that money paid over will be used for the purpose for which it was intended. The lack of access to the savings before Christmas and the fact that the savings can then only be used for a specific purpose is seen as a benefit rather than a disadvantage. It means that the saver cannot access the savings and nor can any other member of the family. Whether consciously or not, consumers are willing to forego the interest from a savings account for the practical advantage of what Pomeroy calls a 'double lock-in'. His report confirms that "the effect is to insulate the money saved against any financial pressures that the household may experience and to remove the temptation to spend it on anything other than goods for Christmas".
- Many hamper scheme customers place a high value on the convenience of home service. This is not just a benefit for customers with restricted mobility (although for some of these, the home

- collection of savings and the home delivery of the hampers or goods can be vital) but extends to many other users of hamper schemes.
- For some people, having someone come to the door to collect payments every week is the only realistic way of ensuring they save anything at all.
 - Saving with a Christmas hamper company involves very little formal paperwork, in contrast to the requirements for opening a bank, building society or credit union account.
 - For some people, there is a family history associated with Christmas hampers that adds value to the product. There is also a social element, with the agent visiting each week to collect instalments and the subsequent delivery and opening of the hamper or the visit to the shop to spend the accumulated vouchers.
 - Underlying many people's use of hamper schemes is a mistrust of mainstream financial services providers and a view that banks and building societies are "not for people like us".

2.7 The findings bear out a crucial learning point for GFA. In providing generic advice, it is often important to take account of non-financial issues. Faced with a choice between saving in an interest bearing savings account that offers the regulatory protection of the FSA and the Financial Services Compensation Scheme, and saving in a non-regulated hamper scheme that offers only a limited range of goods, a rational financial analysis approach suggests that a consumer will choose the savings account. However, whether consciously or not, many consumers will include other issues within their thinking (such as the desire to put the savings out of reach and ensure that the money can only be used for specific items), which may lead to a preference for a different outcome. Good generic advice will be sufficiently broad in its approach to include this possibility.

The Pomeroy Review has already generated an important GFA initiative.

2.8 One of Pomeroy's recommendations was that more information should be provided to consumers who want to save in Christmas savings schemes.

2.9 In March 2007, as part of the response to the Pomeroy Review, the Economic Secretary and the Consumer Minister announced £1 million funding for the Office of Fair Trading (OFT) to conduct a consumer awareness campaign on Christmas saving schemes and mainstream alternatives. In June 2007, the OFT launched its Save Xmas campaign.

2.10 As part of this campaign, the OFT created a toolkit that is being used by local advice and community agencies across the UK to provide a face-to-face course giving information on Christmas savings options. The toolkit is designed to be used by advisers who have no background in financial services. Citizens Advice is co-ordinating the sessions and Citizens Advice Bureaux and other advice agencies are bidding to run the courses. Some funding is available to local agencies to enable them to offer the course.

2.11 The target group is women aged 30–55. To date, 260 sessions have been offered, divided between courses to advisers and courses to consumers.

Citizens Advice estimates that 10,000 people have so far benefited from the courses. The OFT is working with MORI to evaluate the outcome of the sessions and expects to have results and analysis by the end of March 2008.

2.12 The OFT materials include a video, a PowerPoint presentation, a session planner, session leader's notes, questions and answers, and a leaflet and other information resources.

2.13 The aim of the course is to help participants decide how to save for Christmas and other events, by enabling them to:

- identify the alternatives to Christmas hamper saving schemes (banks and building societies, credit unions, Christmas clubs with local shops, supermarket stamp schemes for Christmas, and hamper and voucher schemes)
- consider their own needs, preferences and attitudes to risk
- understand that different savings options have different characteristics, including varying levels of risk
- know where they can find further help or information about their savings options.

2.14 The session leader's notes stress that the aim is "not to tell people how to save but to increase their understanding of options and help them to make the best choices for their circumstances and preferences".

2.15 The OFT also commissioned a report on the psychology of consumer behaviour, which provides more analysis of consumer decision-making, particularly among low-income groups. This report⁴ is a useful addition to the reference material for a future GFA service.

The OFT response is a good example of GFA in action ...

2.16 The OFT materials are a good example of GFA and could readily be adapted as a primary information resource for telephone or web advice. They can be seen as a positive, affirmative answer to the question of whether and how GFA can be given on informal savings schemes.

2.17 The OFT is considering options to increase the reach of these sessions. One possible option is to use the statistics of Consumer Direct to identify consumers who have previously contacted Consumer Direct with hamper/Christmas savings questions and then invite these consumers to a future course. Again, this is a useful learning point for future consideration by a national GFA service – is it possible to promote generic advice by association with enquiries made to other organisations that provide consumer information and advice?

... and could be joined up with other aspects of GFA ...

2.18 The OFT campaign is aimed at meeting a defined need. It has been commissioned, designed and rolled-out in isolation from other generic advice

⁴ http://www.ofc.gov.uk/shared_ofc/savexmas/psychology-summary.pdf

initiatives and it does have the potential to be associated with other aspects of GFA.

2.19 Indeed, some of the session providers are already using the OFT material as part of a wider financial capability training/information session. So far, this extension of the alternative savings initiative is a local rather than central initiative. The OFT has considered whether the session material could be extended to include information on such areas as credit and debt, but there is a concern about information overload. There is also a worry about being seen to mislead, by advertising a course on one topic and then including other material.

2.20 Whilst this concern is understandable, it runs counter to the feedback of stakeholders who have listened to the Thoresen pilot calls. Many of these stakeholders feel that a GFA service needs to encourage its clients to think more generally about their financial needs rather than concentrate on just one issue.

... and may benefit from additional information to fit in with a GFA service.

2.21 As a direct response to the Farepak collapse, some financial institutions have introduced specific products aimed at the Christmas savings market. Some of these offer attractive rates of interest. For example, as at early February 2008, Skipton Building Society was offering 7.3 per cent on their Christmas Saver Issue 2 account for contributions of between £10 and £250 per month. The saved funds are locked away until 24 November 2008. Towards the end of 2007, the Post Office announced that it will launch a Christmas Club savings scheme that will allow users to make minimum deposits of £5 and save up to £1,000 for the year. Funds will be locked away until 1 November, when the Christmas Club card can be used as a pre-paid debit card with retailers signed up to the scheme, or exchanged for gift vouchers at Post Office branches. The scheme will also offer membership rewards, details of which have not yet been disclosed.

2.22 This is a positive response from some firms, and is helpful to consumers who would choose to use this alternative method of saving for Christmas. But to be properly effective, a GFA service would need not only to alert its clients to the fact that these types of saving accounts exist, but would also need to be able to list them, or to refer clients to a list provided by a third party.

2.23 Internet research shows that there is no current list of specific Christmas savings schemes offered by financial institutions. Therefore, unless a list is drawn up by a third party, the only way in which consumers can determine which accounts do exist is by contacting individual banks and building societies.

2.24 The OFT does not provide a list of informal saving schemes. To do so would be obviously at odds with the OFT's statutory remit. The inclusion of guidance on alternative savings within a GFA service would benefit clients,

but it would be necessary to consider whether a list of informal saving schemes could be provided.

A future GFA service needs to be able to respond to market developments.

2.25 The recognition of the need to provide advice on alternative savings arose from the collapse of Farepak and the identification of a regulatory gap in consumer protection. The Pomeroy Review recognised that there was a clear role for generic advice to assist vulnerable consumers.

2.26 This highlights the need for an effective GFA service to be ready to respond to developments in the personal finance sector and to act quickly in providing the necessary consumer information and advice. As a further example, if a national service had been operating over the past six months, it could have been expected to have responded quickly to the Northern Rock situation and currently to be providing information and advice on the implications of the restricted availability of some consumer credit and mortgage lending.

Common Protocol

This protocol sets down the advice boundary for the prototype generic financial advice service. More detailed protocols provide further guidance in the individual subject areas.

Background

A key part of formulating evidence-based recommendations for a blueprint of a national generic financial advice (GFA) service involves consumer testing of a prototype GFA service. This protocol sets down how the prototype service should structure its advice to maintain the necessary distance from regulated advice.

Aim of GFA as provided under the prototype service

The aim of GFA is to influence outcomes that range from:

- consumers who are able to identify and understand their financial needs and plan their finances; to
- more engaged consumers who are able to interact with the financial services on a more equal footing.

To meet this aim, the prototype GFA service will provide information and guidance to consumers on a range of financial topics to a consistent level of depth. It will translate financial jargon and equip consumers with questions to ask of providers. It will offer guidance, but not recommendations, towards a suggested course of action where such action represents a generally agreed and common-sense approach to financial planning.

In order to ensure that the prototype service does not provide regulated advice, it must ensure that it keeps within the clearly defined Boundary of Advice.

The initial boundary of advice as provided under the prototype service

Research by the Review team has identified the initial advice boundary for the prototype service as follows:

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.
- **The service will not** advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

GFA advisers must ensure that their advice and guidance always remains within this advice boundary. This boundary aims to ensure that the prototype service maintains clear water between its advice and FSMA and other regulated advice, such as that set out within the Consumer Credit Act 2006.

Regulated advice does not cover all financial products. For example, advice on bank accounts or utility providers is not regulated, but to ensure clarity and a consistent advice boundary we propose that the prototype service should adopt the same approach to all financial products. This consistent depth of advice across the products should make sense to consumers.

We also propose that 'financial product' is widely defined to include the full range of financial products and services that may impact on the clients of the prototype service and not only those normally covered by the mainstream financial services sector. For practical reasons, we propose to restrict the range of topics on which the 14-week prototype service will offer guidance. This is a pragmatic approach that applies only to the early stages of the prototype and it is not an indication of the range of any future GFA service. We propose to offer guidance and information on the following topics:

<p>Buying a home First mortgages, secured loans, home ownership options</p>	<p>Credit Credit cards, personal loans and other sources of borrowing</p>
<p>Banking Bank accounts</p>	<p>Saving and investing Cash savings accounts and Child Trust Funds</p>
<p>Protection Insurances</p>	<p>Tax and benefits Tax credits and social security benefits</p>
<p>Planning for retirement Pensions and annuities</p>	<p>Budgeting We expect that guidance on budgeting will form a key element of the work of the prototype service. Budgeting guidance will be an essential part of providing advice to the target group for all the topic areas, and it has been identified as a crucial element of a prototype service by our consumer focus group research. We anticipate that budgeting advice will be an important element of the prototype service across the whole range of topics listed above. We expect that the guidance provided by the prototype service will encourage clients to:</p> <ul style="list-style-type: none"> - better understand the importance and impact of budgeting; - analyse their existing budgets; - revise their existing budgets, using existing web-based and paper resources.

It is important that the prototype service offers information and guidance that 'joins up' this range of topics. Advisers should consider how advice on one topic will impact on other topics. For example, guidance on budgeting or tax credits may result in the client having more resources to use in considering options in other topic areas.

Practical impact of the advice boundary

The prototype service will provide information and guidance to consumers on a range of financial topics to a consistent level of depth.

This means that the service will translate financial jargon, for example answering questions such as "what is an APR?"; it will equip consumers with the questions to ask of providers, for example "what are the fees for paying off my loan early?"; and it will enable consumers to use tools such as comparative tables on a more informed basis. The individual topic protocols give more guidance on the information that the prototype service will provide within the individual areas.

The prototype service will encourage consumers to consider their financial options.

This means that the service will suggest that clients use available information and guidance to consider how best to meet their current situation and plan ahead. For example, it would suggest a parent with child dependants should consider the financial needs of their children in the event of parental death. It could say that "most people in your situation take out some form of life cover if they think that their family would have insufficient money in the event of their death". It would then go on to provide information that will help consumers understand the pros and cons of different types of insurance and the consequences of not holding insurance cover, guiding consumers towards comparison tables.

The prototype service will not provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by a specific financial services provider.

The prototype service should avoid recommending types of product (e.g. life insurance or personal loans). It can provide guidance to clients by explaining about the different types of products and the advantages, disadvantages and implications of each type. It can say that "most people in your situation would be well advised to consider life insurance", but it should not go as far as saying "I recommend life insurance to you".

The prototype service must avoid any suggestion that its clients take out a financial product with any identified provider (e.g. a cash ISA with AB Bank or life insurance with CD supermarket). The prototype service can state which types of providers offer different products, but any client that requires advice on which product provider best meets their needs should be signposted to regulated financial advice or to other sources of product-specific advice, such as comparative tables.

Furthermore, the prototype service will not suggest or recommend any specific financial provider or type of provider, even where the suggestion does not relate to a specific financial product. For example, the prototype service will not offer guidance that it is better to save with credit unions rather than banks. Instead, the service should explain the options, the advantages and disadvantages, and the consequences of the different types of institutions. It could say “most people in your situation opt for a credit union account, because of X and Y reasons”.

The prototype service will not advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

Our wide definition of ‘financial product’ means that all prototype service clients will have existing financial products. We anticipate that some clients will particularly seek guidance on whether these products are the most suitable for their needs. Alternatively, in the course of the discussion, the adviser may become aware that the client could benefit from varying or changing an existing financial product.

To remain within the advice boundary, the prototype service must not provide guidance on the advantages, disadvantages and implications of a client varying or disposing of an existing specific financial product. This means, for example, that the prototype service will not discuss the merits of the client changing their existing mortgage with AB Building Society, home contents insurance policy with CD insurance company, or bank account with EF Bank.

However, so long as there is no discussion on the merits of the client changing their existing specific product, the prototype service may suggest that a client considers whether an existing *type* of financial product best meets their needs. Having done this, the prototype service should then signpost the client to further sources on information and advice, including regulated advice, where the client can consider the advantages, disadvantages and implications of changing their existing specific financial product.

It should be noted that the more detail the prototype service requests about a client’s existing financial products, the more likely that prototype advisers will face boundary limitations in subsequently discussing those products with the client. For example, if the prototype adviser knows that the client has a standard variable rate mortgage but does not know the name of the lender then it is within the scope of the service to discuss the merits (including the advantages, disadvantages and implications) of changing that mortgage. However, if the client discloses the name of the lender, then any advice about the merits of changing the mortgage clearly relates to the specific product.

Note that knowing the name of the product provider would not necessarily prevent the prototype adviser from providing generic advice. For example, consider a consumer who has indicated that he has a mortgage with AB Bank and will shortly revert to the standard variable rate of interest after coming to the end of his fixed-rate agreement. It would be generic advice for the prototype service to say that borrowers in such a position are well advised to

consider shopping round for a new mortgage with a better deal. This is because of the generally accepted valid guidance that mortgage borrowers should consider alternatives to paying at the standard variable, irrespective of their mortgage lender.

However, we feel that identifying the product provider will make it more difficult for the prototype service to maintain the necessary distance from regulated advice. We also want to test whether not identifying the provider is a practical option for a GFA service. Therefore, we propose that the prototype service should avoid seeking information about product providers. Where clients do provide the names of product providers, we suggest that the prototype service makes it clear that any subsequent guidance would relate to the same type of product with any provider; the important element is that generic guidance applies irrespective of the actual provider.

Focus on products

The importance of ensuring that the prototype service maintains clear differentiation from regulated advice means that the topic protocols have a necessary focus on products as an illustration of such differentiation. However, we stress that we do not see the prototype service as being product-focused. Prototype advisers should seek to help clients identify their financial needs and discuss the options, including types of products, to meet these needs.

Information sources to be used within the prototype service

The major source for guidance material is the FSA's *Moneymadeclear* guides.

The individual subject protocols detail additional information sources.

Arrangements for onward signposting

Some clients will require or benefit from additional information and guidance beyond the scope of the prototype service. In these cases the prototype service will suggest that clients take further advice from another agency. Where possible, the Thoresen Review team will discuss prescribed signposting/referral procedures with each agency identified below to provide for the referral of clients and the recording of statistical information.

Before signposting to another agency, we expect that the prototype service will provide the client with relevant particulars about that agency, such as how they work and how their advice is funded. The prototype service should also help the client by discussing questions that the client may benefit from asking of the other agency and any additional information that the client can usefully gather together before making contact.

We anticipate that the following agencies and sources of information will be used as signposting outlets for the prototype service. The individual subject protocols provide additional information on referral criteria.

Social security benefits and tax credits

- Jobcentre Plus

- Citizens Advice
- Tax Credits Helpline
- HMRC and DWP websites
- any other local free-of-charge and independent advice agencies identified by the prototype providers as providing specialist advice on social security benefits and tax credits.

Crisis debt

- Citizens Advice – for clients preferring face-to-face advice
- National Debtline – for clients preferring telephone advice
- CCCS – for clients preferring web-based advice
- CLS Direct – for clients who meet the CLS income/assets criteria and who have a legal challenge to one or more of their debts
- any other local free-of-charge and independent advice agencies identified by the prototype providers as providing specialist advice on crisis debt

Savings and investments

- FSA comparative tables
- other comparative tables
- IFA Promotion Ltd
- Institute of Financial Planning
- The Personal Finance Society

Protection insurance

- BIBA
- IFA Promotion

Consumer credit

- Citizens Advice
- National Debtline
- CCCS
- IFA Promotion
- Institute of Financial Planning

Mortgages

- IFA Promotion
- Brokerfinder
- The Personal Finance Society

Financial implications of a life change

- IFA Promotion
- Institute of Financial Planning
- Citizens Advice
- The Personal Finance Society

Pensions

- TPAS
- The Pension Service
- IFA Promotion

- Institute of Financial Planning
- The Personal Finance Society

Consumer redress

- FOS
- FSCS

Comparative tables

Comparative tables offer a potentially very useful way for consumers to compare financial products. The FSA provides comparative tables on several subjects, including mortgages, pension annuities and savings accounts (see

http://www.moneymadeclear.fsa.gov.uk/tools/compare_products.html).

Other comparison websites include:

- www.moneysupermarket.com
- www.fool.co.uk
- www.uswitch.com
- www.money.net.co.uk
- www.moneyexpert.com
- www.moneyextra.com
- www.moneyfacts.co.uk
- www.kelkoo.co.uk

We propose that the prototype service should explain about the availability and potential usefulness of comparative tables, but it should also explain their weaknesses. For example, comparison sites may not cover the whole of the market and, with the exception of the FSA tables, all sites receive income from 'click-throughs', which should be borne in mind when relying on the product rankings, 'recommendations' or 'best buys' offered by these tables.

Examples of information and guidance within and outside the scope of GFA

Within scope	Outside scope	Comments
Personal Loans offer a way to borrow money with repayments over an agreed period at a fixed rate of interest. The way they work is as follows ...	Personal loans are the best way to borrow money	The service can provide information about financial products but not recommend a particular type of product
You should consider saving on a regular basis to build up an emergency fund as soon as you can. If you don't have a fund, the consequences could be ...	A cash ISA is the best option for setting up an initial savings account A cash ISA with AB Bank is the best option for setting up an initial savings account	The service can guide towards a general financial strategy but it can not recommend a type of product, whether or not that is associated with an

		identified provider
It is possible to shop around for payment protection insurance rather than take it in association with a loan or mortgage	Banks do/do not offer good value payment protection insurance products	The service can guide towards a specific financial strategy but not advise in favour of or against financial providers, even where the providers are not individually identified
Given that your fixed-rate mortgage is coming to an end, you should consider whether you would benefit from changing your mortgage. The things you should consider include ...	Given that your fixed-rate mortgage with AB Bank is coming to an end, you should change to another product or mortgage lender	The service can explain different types of financial products and can discuss the merits of changing a type of financial product, but it can not recommend whether the client should change from a specific product
A fixed-rate mortgage provides a guarantee that your mortgage payments will not change during the time that the interest rate is fixed	A fixed-rate mortgage for two years sounds like it could meet your needs	The service can guide towards a specific financial strategy but not towards a type of product
You seem to be spending more on fuel than I would expect for someone in your situation. I think you should ask whether you can make savings by reducing consumption and/or changing to a different tariff, or check whether another provider could better meet your needs.	Your electricity spending with AB utility company is not a good deal. You should change to a different tariff or check whether another provider can better meet your needs.	The service can offer guidance on options for the client but must not discuss specific financial products
Your credit card is charged at a comparatively high interest rate. I will explain the advantages, disadvantages and implications of you transferring the balance to a credit card that offers	Your credit card with GH Bank is charged at a comparatively high interest rate. I will explain the advantages, disadvantages and implications of you transferring the balance of your GH Bank card to a	The service can discuss the merits of a client varying a type of product, but it cannot provide guidance on whether the client should vary a specific product with

0% interest.	credit card with RS Bank which offers 0% interest.	an identified provider, nor can it identify a replacement product with an identified provider
--------------	--	---

Credit Advice Protocol

This protocol sets down how the prototype service should provide guidance to clients that seek advice on credit or debt issues, or where credit or debt is otherwise discussed as part of the conversation with the client.

Background

It is important to stress that the prototype service will not offer guidance or advice on crisis debt management. Some callers to the prototype service will have debt problems. They will, for example, face difficulties in maintaining repayments on their credit agreements and/or will have arrears in non-credit areas such as rent or council tax.

Where clients have such debt problems, we expect that they will be referred to one of the existing agencies that provide free and independent debt advice.

However, we anticipate that many clients will have outstanding consumer credit agreements but will not have, or consider that they do not have, a debt problem. They will want or need guidance on their existing credit agreements and on their general money management and it is important that the prototype service is able to offer this guidance.

Aims of credit advice as provided under the prototype service

We expect that the prototype service will provide guidance and information that will help clients identify:

- the questions they should ask of credit providers to identify appropriate products
- how different types of credit can meet different needs – e.g. short- or long-term borrowing
- the advantages, disadvantages and implications of different forms of credit
- the meaning and interpretation of the jargon associated with credit agreements – e.g. APR, early settlement
- the importance of a personal budget and ways to draw up and monitor a budget
- the appropriateness (advantages, disadvantages and implications) of debt transfer and consolidation
- the availability of comparative website information, and the things to be aware of in comparing products
- complaints procedures, and the roles of industry codes and the FOS
- the availability of free-of-charge debt advice agencies that can provide more detailed information, guidance and advice on debt problems
- the advantages and disadvantages of buying additional insurance cover associated with credit products
- the importance of saving as a way to protect against future financial difficulties.

The boundary of credit advice as provided under the prototype

In general, and as further explained under the Common Protocol, the advice boundary for the prototype service has been established as follows:

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.
- **The service will not** advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

The prototype service should always refer to this boundary when providing guidance on credit. It should also have regard to the signposting criteria for crisis debt advice.

Debt advice or credit advice

We appreciate that credit and debt are two sides to the same coin and that there is no generally accepted definition of when the use of credit becomes a debt 'problem'. We are also conscious that individuals have different comfort thresholds when managing their outstanding debt: some consumers are content to juggle a large number of credit agreements, making only minimum repayments; others lose sleep because they owe a relatively small sum.

Where prototype clients have a debt problem, whether self-defined or adviser defined, it is important that they are signposted to a specialist debt advice agency. Because of the lack of an accepted definition of what constitutes a debt problem and because any definition may vary across clients, we propose to leave it to the prototype providers' discretion as to what constitutes a 'debt problem'. However, we suggest that the following situations normally require signposting:

- Client is unable to maintain 'priority' payments except through the use of credit.
- Client is only able to make minimum repayments on revolving credit agreements.
- Client is unable to maintain contractual payments on credit facilities.
- Client is faced with recovery action in respect of monies owed.
- Client indicates that they are unable to meet the cost of basic necessities because they are attempting to service debts.

The signposting agencies for debt advice are:

- National Debtline – for telephone advice
- Citizens Advice – for those preferring face-to-face advice
- CCCS – for web-based advice

- CLS Direct – for clients who meet the CLS income/assets criteria and who have a legal challenge to one or more of their debts
- any other free-of-charge and independent advice agencies local to the prototype area identified by the prototype providers as providing specialist face-to-face advice on crisis debt.

We appreciate that these agencies may offer access to debt advice services additional to those proposed for prototype signposting from the prototype. For example, National Debtline offers web-based advice, and Citizens Advice and CCCS offer telephone advice. Our proposal for the signposting of clients is a pragmatic approach for the short-term pilot.

Before signposting clients for debt advice, we expect that the prototype service will encourage the client to consider whether there are other generic financial issues to be considered; for example, the client's current expenditure on other financial products, the possible need for additional financial products, or general guidance and information to enable the client to better understand their current and future finances.

Relationship between credit advice and advice on savings

It is generally agreed and common-sense advice that consumers would be well advised to establish a cash savings fund to meet future unexpected or irregular spending. In providing credit advice, we therefore expect that the prototype service should also discuss the possibility of the client saving to establish such an emergency fund at the same time as repaying debt. The Savings and Investments Protocol provides more detail, and in particular discusses guidance on whether clients should save at the same time as repaying debt.

Examples of how the advice boundary impacts on credit advice

Topic/situation	Guidance within scope	Guidance outside scope
Should I change my existing credit card debt with AB Bank to a 0% credit card?	Advantages and disadvantages of transferring debt from one credit card to another credit card, but making it clear that this guidance would apply even if the card were with any provider	CD Bank are offering a very good balance transfer deal
Should I take payment protection insurance with my loan with AB Bank?	How PPI works Advantages and disadvantages of taking out PPI Alternatives to PPI and how to compare products	You should/shouldn't take out PPI cover (whether with AB Bank or another provider)
Should I consolidate my existing borrowing into one loan?	Advantages, disadvantages and implications of consolidating existing borrowing Alternatives to consolidation	You should/shouldn't consolidate your existing borrowing
How do I respond to a possession	Referral to a debt advice agency	Advice on how to respond to a possession summons

summons because of rent arrears?		
I can't afford my mortgage payments with AB Bank	<p>Discussion about budgeting and the possibilities for additional income or reduced expenditure</p> <p>Discussion about possibilities for reducing mortgage costs – but stressing that any information and guidance is not specific to AB Bank.</p>	Discussion about reducing mortgage costs on the specific mortgage with AB Bank

Insurance Protocol

This protocol sets down how the prototype generic financial advice service should advise clients that seek guidance on insurances or where insurances are otherwise discussed as part of the conversation with the client

Background

Research for the Thoresen Review confirms that a large number of consumers do not have essential protection insurance to protect them and their dependants in the event of death, inability to work or other life changing events.

Aim of Insurance Advice as provided under the Prototype Service

We anticipate that the main aims of insurance advice provided in the prototype service will help clients to engage with insurance companies and brokers more confidently and to help them identify the need for protection insurance and insurance connected with their homes. We expect that the prototype service will provide guidance and information that will help clients identify:

- different types of insurances and what each covers
- that protection insurance for home and possessions is an essential part of financial planning
- the relative importance of different types of insurances according to the circumstances of the individual
- how to shop around for insurances
- the importance of reading the Keyfacts illustration provided with an insurance policy
- how to find and use an insurance broker
- how to complain about an insurance product, company, or broker, and the role of the Financial Services Authority and the Financial Ombudsman Service (FOS).

The boundary of insurance advice as provided under the GFA prototype

In general and as further explained under the Common Protocol, the advice boundary for the prototype service has been established as follows:

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.

- **The service will not** advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

We propose one additional feature to the advice boundary in respect of guidance provided by the prototype service on insurance issues. We anticipate that the prototype service will receive some enquiries about underperforming endowment insurance policies, and possibly some calls about other investments with an insurance element, including closed funds. Consistent with the Savings and Investment Protocol, we think it important that the prototype service does not provide advice on non-cash investments. Clients with underperforming endowments should therefore be referred for regulated advice. However, the client can also be referred to the FSA leaflet on underperforming endowments at:
http://www.moneymadeclear.fsa.gov.uk/pdfs/mortgages_pay_off.pdf

Clients wanting advice on other investment products associated with insurance products should be referred to an independent financial adviser (IFA), as described under the 'Signposting' section below.

Practical impact of the advice boundary

In discussing different types of insurances and their appropriateness for prototype service clients, there are some contentious areas where stakeholders have suggested that the prototype service should work to guidelines.

How much life insurance is appropriate?

We think it appropriate that the prototype service help clients to identify the priority importance of term life insurance where they have financial dependants. Clients may seek or need guidance on the amount of life insurance appropriate to their circumstances. The prototype service should encourage its clients to calculate how much life insurance they already have and how this compares with the income needs of their family in the event of death. There seems to be a general stakeholder view that cover should be a multiple of between four and ten times income plus enough to cover any mortgage debt, and we propose that this can be reported as general guidance.

The role of payment protection insurance

Recent publicity about the mis-selling of payment protection insurance (PPI) has resulted in a reduced uptake of this insurance. The recent information sheet published by the ABI and other trade bodies provides a factual and measured overview of the role of PPI:
http://www.abi.org.uk/BookShop/ResearchReports/Payment_Protection_Guide.pdf

Signposting for further advice on insurance matters

Clients wanting to find an insurance broker should be signposted to the BIBA website or consumer helpline.

Clients wanting advice on the best value policies should be signposted to an insurance broker and/or comparison website.

Clients wanting advice on how to complain about underperforming endowment policies should be referred to the FSA information sheet at: http://www.moneymadeclear.fsa.gov.uk/pdfs/endowment_complaints.pdf

Clients wanting advice in connection with an investment associated with an insurance policy should be advised to seek advice from an IFA through IFA Promotion or the Personal Finance Society.

Information sources to be used in the prototype

- FSA Moneymadeclear
- ABI Information

Examples of how the advice boundary impacts on insurance advice

Question	Within scope	Outside scope	Comments
Who provides the best value contents insurance?	<p>What contents insurance provides</p> <p>What to look out for when comparing policies</p> <p>How to compare policies</p>	AB insurance company is generally good value	The service should not recommend a particular product provider
Do I need life insurance?	<p>What life insurance provides</p> <p>Advantages and disadvantages of life insurance</p> <p>How to get more information on different providers</p> <p>Guidance that most stakeholders consider that life insurance should be a priority for those with financial dependants</p>	You should definitely get life insurance as soon as possible	The service should not recommend a particular type of product

I am annoyed at the way in which my insurance company has treated me. Will you take up my complaint?	Information on dispute resolution procedures and the role of the FOS	I will contact the insurance company on your behalf	The remit of the service does not cover client advocacy
Is life insurance more important than contents insurance?	Information on what contents insurance provides Information on what life insurance provides	Life insurance is more important than contents insurance, or vice versa	The service should not recommend a particular type of product

Mortgages Protocol

This protocol sets down how the prototype generic financial advice service should provide guidance to clients that seek advice on mortgages, or where mortgages are otherwise discussed as part of the conversation with the client.

Aims of mortgage advice as provided under the prototype service

Where clients are considering their first home purchase, we expect that the prototype service will help them better identify and understand their mortgage and home-ownership options, and the questions they need to ask of their prospective mortgage lender or broker.

Where clients have existing mortgages, we expect that the prototype service will enable clients to interact with mortgage lenders and brokers on a more equal footing by providing guidance on the factors to be considered and the questions to be asked when changing a mortgage.

We expect that the prototype service will provide advice and information that will help clients identify:

Guidance on mortgage options:

- what mortgages are and who provides them
- how lenders determine the amounts that can be borrowed
- types of mortgages (e.g. repayment, interest only, investment backed)
- 'sub-prime' and other products targeted at vulnerable groups
- interest repayment options
- other fees, costs and insurances associated with mortgages and house buying
- the availability and use of mortgage comparison tables
- complaints procedures, including the role of FSA regulation and the role of the FOS.

Guidance on mortgage brokers:

- the different types of mortgage brokers, how they differ, how they are paid, and how to find a mortgage broker.

Guidance on house purchase options for target group consumers:

- shared ownership
- HomeBuy scheme
- right to buy for local authority tenants
- right to acquire for tenants of registered social landlords.

We also anticipate that the prototype service will receive calls from clients concerned about their ability to pay their current or likely future mortgage costs. We therefore expect the service to provide guidance and information on the importance of prioritising mortgage payments. Where clients are unable to maintain mortgage payments, either immediately or in the near future, or they are only able to maintain these payments through using other credit facilities

or through not meeting other priority payments, they should be referred for crisis debt advice as set out within the Credit Advice Protocol.

The boundary of mortgage advice as provided under the GFA prototype service

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.
- **The service will not** advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

When providing advice to clients who have an existing mortgage, we expect that the prototype service will provide guidance and information to help clients assess whether their current *type* of mortgage reasonably meets their current and likely future needs. However, the prototype service must take particular care not to provide guidance on the merits of the client varying or discharging their *specific* current mortgage.

Additional boundary restriction for guidance on mortgages

We propose that the prototype service will not offer any guidance or information on buy-to-let mortgages or on mortgages for overseas properties, other than advising that this is a complex area which does not offer the protection of FSA regulation. Clients should be advised to seek specialist legal and/or financial advice.

Signposting of clients for specific mortgage advice

After consultation with the prototype service, clients who need detailed advice about the merits of changing their existing *specific* mortgage or who wish to identify a specific product provider for a new mortgage should be advised to consult one or more of the following:

- their existing mortgage lender
- a regulated mortgage adviser via IFA Promotion or the Personal Finance Society
- comparative tables provided by the FSA or other supplier (see the Common Protocol for more detail).

Main messages to be communicated in providing mortgage advice in the GFA prototype

- There are numerous options when taking out a mortgage – you should shop around and use comparative tables and/or a broker.
- ‘Keyfacts’ provide very useful information to help you compare mortgages.
- There are schemes to help first-time buyers become homeowners.

- Mortgage payments are priority payments and payment difficulties require urgent action.
- The FOS offers a complaints service for most mortgages.

Information sources to be used in the prototype

- FSA MoneyMadedclear for mortgages.
- Housing Corporation for purchase options.

Examples of how the advice boundary impacts on mortgage advice

Question	Within scope	Outside scope	Comments
What type of mortgage is best for me?	Information on the different types of mortgages	A repayment mortgage seems to best suit your needs	The service should not recommend a particular type of product
Should I change my existing mortgage with AB Building Society?	Factors to consider in considering and comparing different mortgages, making it clear that the discussion is not linked to the loan with AB Building Society	Advice on the merits of changing the mortgage with AB Building Society	The service should not advise on an existing mortgage with an identified lender
Should I buy a house?	Information and guidance on house purchase options	Advice that the client should or should not become a homeowner	The service should not recommend a particular type of product
How do I find a mortgage broker	Information and guidance on the different types of mortgage brokers, how they differ, how they are paid and how to find a mortgage broker Signposting to IFAP or PFS	ABC mortgage brokers come highly recommended	Signposting from the service should not identify an individual regulated firm

Pensions Protocol

This protocol sets down how the prototype generic financial advice service should advise clients that seek guidance on pensions, or where pensions are otherwise discussed as part of the conversation with the client.

Background

The Pensions Advisory Service (TPAS) provides a free, independent and high quality telephone and web-based advice and information service and has agreed to accept referrals from the prototype service. However, it is important that the prototype service does not immediately refer pensions enquiries to TPAS without providing a basic level of initial information and assessing whether the client could benefit from guidance on other areas of personal finance.

Aims of pensions advice as provided under the prototype service

We expect that the prototype service will give value to clients with pensions questions by:

- mapping at a basic level the relationship between personal, occupational and state pensions
- explaining the jargon associated with pensions and beginning the 'demystifying' process
- directing clients to sources of information on pensions and any existing entitlement they may have
- identifying when clients might need to seek regulated advice
- addressing associated issues around debt, long-term savings, budgeting etc.

We expect the prototype service to refer clients directly to the TPAS helpline for information and guidance on pensions issues including (but not restricted to):

- understanding the different types of pension, and their advantages and disadvantages
- understanding the implications of starting and stopping saving in a pension
- understanding their existing pension
- thinking about the age at which they intend to retire and the income they want in retirement
- how much state pension they can expect to receive, how they will provide the difference between the state pension and their desired income, and what action they could take now to bridge any gap in retirement income
- find out what, if any, pension their employer offers, whether their employer contributes, and how they can join
- if they cannot or prefer not to join their employer's pension scheme, find out their options for a private pension
- investigate how annuities work and, if close to retirement, the options in taking an annuity
- seek further information and/or use comparison tables and/or take regulated advice if they decide to increase their pension provision

- complaints procedures in respect of pensions, including the role of the Financial Services Authority and the Financial Ombudsman Service.

The boundary of pensions advice as provided under the GFA prototype

In general and as further explained under the Common Protocol, the advice boundary for the prototype service has been established as follows:

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.
- **The service will not** advise on the merits of the client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

The prototype service must keep within this boundary when providing guidance on pensions. The fourth bullet point means that the prototype service will not provide advice on whether a client should change their existing pension provision (including any employer's scheme) nor will the service advise on a client opting in or out of the state second pension.

Signposting of clients for pensions advice

Clients with pensions concerns should be signposted to the TPAS helpline (and website if appropriate).

Clients who need face-to-face information or guidance should be advised of the limited availability of such help outside of regulated advice. TPAS can help clients understand what face-to-face advice might be available (which might include being signposted to their employer).

Clients who need regulated advice regarding the purchase of a new pension or the varying or discharging of an existing specific pension should be signposted to IFA Promotion, the Institute of Financial Planning or the Personal Finance Society.

Information sources to be used in the prototype

FSA Moneymadeclear materials:

- www.moneymadeclear.fsa.gov.uk/pdfs/pensions.pdf
- www.moneymadeclear.fsa.gov.uk/pdfs/retirement_options.pdf

Examples of how the advice boundary impacts on pensions advice

Question	Within scope	Outside scope	Comments
How much pension will I receive?	Advice that the Pension Service can provide a state pension forecast if	Telling client what pension they can receive	Clients under 57 years of age cannot get a state pension forecast till autumn

	<p>the client reaches state pension age before 6 April 2010</p> <p>Advice that the client can obtain information on the level of a pension from any other pension provider (e.g. insurance company or employer's scheme)</p>	<p>Advice on pension forecast beyond 6 April 2010</p> <p>Guidance on the content of any pension statement or forecast</p>	2008
Should I take out a personal pension?	<p>Basic mapping of the differences between different types of pension</p> <p>If employed, encouragement to find out whether employer offers a pension scheme</p>	Advice that a client should or should not take out a personal pension	The service should not recommend that a client takes out a specific financial product
Should I stop paying into my pension to repay my debts?	<p>Things to consider in choosing between pension saving and debt repayment</p> <p>Explore ways to manage or service debts (see Credit Advice Protocol)</p>	Advice that a client should or should not stop paying into a pension	The service should not advise that a client should stop making payments, but it can discuss the characteristics and aims of pension saving so long as the provider is not identified. Clients should then be signposted to regulated advice
Should I stop paying into my pension with DE Insurance company to repay my debts?	Things to consider in choosing between pension saving and debt repayment – stressing that this guidance would apply irrespective of pension company	Advantages, disadvantages and implications of pension saving with DE Insurance	The service must not discuss the merits of varying payments where the product provider has been identified

Savings and Investments Protocol

This protocol sets down how the trial service should advise clients that seek guidance on savings and investments, or where these topics are otherwise discussed as part of the conversation with the client.

The boundary for savings and investments advice as provided under the trial

'Savings' can cover a wide range of products, from simple cash products through to complicated and more risky investments such as hedge funds. Based on the responses to the Thoresen Review Call for Evidence and the consumer feedback from our focus groups, we have taken a pragmatic approach to the selection of topics to be covered in the trial service. In respect of savings and investments, we anticipate that the trial service will offer guidance only on cash savings, Child Trust Funds and pensions. Any clients that require advice or guidance outside these areas, or clients who already have cash savings to meet their short-term needs, should be referred to other sources of advice and information.

In general, and as further explained under the Common Protocol, the advice boundary for the trial service has been established as:

- **The service will** provide information and guidance to consumers on a range of financial topics to a consistent level of depth.
- **The service will** encourage consumers to consider their financial options.
- **The service will not** provide recommendations on whether a consumer should take out a specific financial product, nor will it recommend a product provided by an identified financial services provider.
- **The service will not** advise on the merits of a client varying, or disposing of, an existing specific financial product provided by an identified financial services provider.

The trial service must refer to this boundary when providing guidance on savings and investments.

Aims of guidance on savings and investment as provided within the trial service

We expect that the trial service will provide guidance and information that will:

- explain the options for short-term cash savings
- explain the key words and phrases associated with saving
- explain the concept of risk, both in relation to regulatory protection and individual types of products
- explain what clients should look out for in savings accounts
- explain the impact of tax and inflation on savings

- encourage clients to save on a regular basis, and where possible to establish an emergency savings fund of between one and six months' monthly income
- provide illustrations of the benefits of regular saving
- enable clients to consider alternative savings accounts for Christmas – see:
http://www.consumerdirect.gov.uk/before_you_buy/money_and_credit/xmas/xmasindex
- explain how clients can obtain current information on cash savings interest rates
- encourage clients to consider the implications of saving at the same time as repaying debt
- encourage clients with existing sufficient emergency cash savings to consider further options for medium to long-term savings
- refer to regulated advice where clients require information or advice on non-cash savings and investments (except when discussing Child Trust Funds or pensions)
- explain how clients can complain, including the use of industry codes, the Financial Ombudsman Service and the Financial Services Compensation Scheme.

When discussing Child Trust Funds and pensions, we expect that the trial service will provide guidance on the merits of non-cash options for long-term savings. The separate pensions protocol provides guidance on how the trial service should offer advice on pensions.

Clients likely to quickly reach their target for their emergency savings fund should be advised to then consider the advantages, disadvantages and implications of further saving compared to repayment of debt. They should also be advised to investigate options of saving in other than simple cash products.

Guidance on savings to clients who have debts

Historically, it has been considered appropriate that consumers with outstanding debts should repay those debts before saving in a new or existing savings scheme. This advice is based on the comparative interest rates paid on cash savings accounts and the rates of interest charged on consumer debts (remembering that debt repayments are made from income that will already have been taxed if the consumer is a taxpayer). The only time when this advice was considered inappropriate was where debts incurred a very low rate of interest – such as zero per cent credit cards or student loans.

Recently, there has been discussion of whether this 'financially rational' approach represents the best overall guidance. It is argued that consumers are best served by saving at the same time as repaying debt. The aim is to establish or increase an emergency savings fund that can be used to meet future unexpected or irregular spending.

We propose that the guidance to clients from the trial service should include a discussion of the option of saving whilst repaying debt. This should explain

the advantages of establishing or increasing a cash savings fund to meet future unexpected or irregular spending even where clients have existing debts. The guidance should be provided both to clients wanting advice about repaying debt and to clients seeking advice on saving but who also have debts.

Where clients are unable to save because they have insufficient surplus income after meeting expenditure, the trial service should consider whether budgeting and/or debt advice is appropriate (see the Credit Advice Protocol).

Guidance on Child Trust Funds

We expect that the trial service will provide information and guidance that will encourage eligible clients to consider their options for saving within a Child Trust Fund, including discussion of the merits of stakeholder accounts and accounts that invest in shares. We propose that the trial service uses the information at www.childtrustfund.gov.uk in order to provide client guidance.

Signposting of clients for savings and investments advice

Clients who require advice or information on non-cash savings and investments should be signposted to a source of regulated financial advice using the FSA information and resources at http://www.moneymadeclear.fsa.gov.uk/guides/getting_financial_advice_step_2.html.

Alternatively, these clients may be advised to identify a regulated financial adviser through one of the following trade bodies:

- IFA Promotion Ltd
- Institute of Financial Planning
- The Personal Finance Society.

Clients who require product-specific information on cash savings accounts can be told who provides these accounts (banks, building societies etc.) and signposted to the savings accounts section of the FSA comparative tables at www.fsa.gov.uk/tables or to one of the other providers of comparison websites (but see the common protocol for additional guidance on such referrals).

Main messages to be communicated in providing guidance on savings in the generic financial advice trial

- The establishment of a cash savings fund is an essential part of financial planning and should be a priority for all consumers.
- Most people should aim for an initial cash savings fund and should look for a combination of easy access and a competitive interest rate (where possible, paid free of tax).
- While saving at the same time as repaying debt may not be strictly financially rational (if the interest payable on the debt is higher than the

interest received on savings), there is considerable advantage in having access to an 'emergency' cash savings fund.

- o Regular saving is the key to building up a cash savings fund.

Information sources

- www.moneymadeclear.fsa.gov.uk/products_explained/savings.html
- www.moneymadeclear.fsa.gov.uk/pdfs/saving_and_investing.pdf
- www.childtrustfund.gov.uk

Examples of how the advice boundary impacts on savings advice

Question	Within scope	Outside scope	Comments
What's the best place to start saving?	Information on savings options	AB Bank offers a good rate National Savings are good products A cash ISA is the best place to start	The service can provide information on different types of savings options but can not recommend an individual provider or type of provider
I've read that AB Bank have reduced their interest rates. Should I transfer my savings account somewhere else?	Information on how to compare interest rates and where to get up-to-date information	Yes, you should move your account No, you should keep your account where it is	The service cannot advise on the merits of varying an existing specific product
What should I do with my Child Trust Voucher?	Information on the different options and the factors to consider in making a choice Where to get more information on the different types of Child Trust Fund providers	Recommendation or guidance that a client takes out a particular type of Child Trust Fund	The service cannot recommend a particular type of financial product
My endowment policy is underperforming. Should I cash it in?			Refer to regulated advice (see Insurance Protocol)

Tax Credits and Social Security Benefits Protocol

This protocol sets down how the prototype service should provide guidance to clients that seek advice on tax credits and social security benefits, or where these topics are otherwise discussed as part of the conversation with the client.

Scope of prototype service advice on social security, tax and tax credits

The Common Protocol explains how we are applying a consistent advice boundary across a wide definition of financial products.

The advice boundary means that we do not expect the prototype service to provide specific guidance or opinion on whether a client is entitled to tax credits or a specific social security benefit. However, it is important that the prototype service can generally discuss tax credits and social security benefits, alert clients to a possible entitlement, and refer them for more specific advice from a trusted and authoritative source of information.

We expect that the prototype service will provide guidance and information that will help clients identify:

- whether they meet the basic non-financial criteria for claiming tax credits and means tested social security benefits
- whether they meet the basic criteria for claiming non-means tested social security benefits
- sources of further information and advice that can provide more detailed and specific advice on possible entitlement.

Information sources to be used in the prototype

- Tax credits information should be sourced from HMRC, see: <http://www.hmrc.gov.uk/menus/credits.htm>
- Social security benefits information should be sourced from the DWP, see: <http://www.dwp.gov.uk/lifeevent/workage/>

Signposting of clients for further advice on social security benefits and tax credits

Clients needing more information on tax credits should be signposted to the HMRC Tax Credits Helpline for telephone advice, the HMRC website for web-based advice or their local Citizens Advice Bureau for face-to-face advice. Alternative sources of local advice agencies known to the prototype providers may be used so long as these offer free and independent advice.

Clients needing more information or advice on social security benefits should be signposted to the DWP website for web-based advice. Clients needing telephone advice should be signposted to their local Jobcentre Plus (if of working age), the DWP Disability and Carers Service helpline (if disabled or with caring responsibilities), Age Concern or Help the Aged helplines (if

retired), or Citizens Advice. Clients needing face-to-face advice should be signposted to their local Citizens Advice Bureau. Alternative sources of local advice agencies known to the prototype providers may be used so long as these offer free and independent advice.