

Thoresen review of generic financial advice

NCC's submission to the call for evidence

About the National Consumer Council

The National Consumer Council is an independent consumer expert, championing the consumer interest to bring about change for the benefit of all consumers. We do this by working with people and organisations that can make change happen – governments, regulators, businesses and people and organisations who speak on behalf of consumers.

We are independent of government and all other interests.

We conduct rigorous research and policy analysis and draw on the experiences of consumers and other consumer organisations. We publish. We campaign. We help people to come together to advance the consumer cause.

Issues of disadvantage are at the heart of our work, as often the most vulnerable people find it hardest to be heard.

We have linked organisations in England, Scotland and Wales, and a close relationship with colleagues in Northern Ireland. And we work with consumer organisations in Europe and worldwide to influence European and global governments and institutions.

We are a non-departmental body, limited by guarantee, and funded mostly by the Department of Trade and Industry.

Please check our website at www.ncc.org.uk and E-politix site at www.epolitix.com/forum/ncc for our latest news.

We can often make our publications available in braille or large print, on audio tape or computer disk. Please contact us for details.

**National Consumer Council
20 Grosvenor Gardens
London SW1W 0DH
Telephone 020 7730 3469
Facsimile 020 7730 0191**

**www.ncc.org.uk
www.epolitix.com/forum/ncc**

With thanks to Mick McAteer for his help in preparing this response.

With thanks to Jeff French and Aiden Truss from the National Social Marketing Centre, for their input to this response.

Contact details:

Nicola O'Reilly, Senior Policy Advocate

n.oreilly@ncc.org.uk

NCC's submission to the Thoresen review of generic financial advice: call for evidence

Introduction and background

The National Consumer Council is pleased to submit a response to the Thoresen Review of Generic Financial Advice. There is a recognised need for a coordinated, national generic financial advice service to meet the core financial planning needs of vulnerable consumers who do not have access to objective, quality advice. There are serious limitations on the capacity of the retail financial services industry to develop solutions that meet the needs of vulnerable consumers. An alternative approach is needed to complement existing retail capacity. Therefore, the NCC is pleased that HMT has established a review to examine the feasibility of delivering a national approach to generic financial advice.

There are two main ways of achieving greater access to generic advice on a national scale. Government could restrict its role to developing generic advice as a standalone concept and leave provision of services to a range of individual service providers in the public sector, third sector and private sector. However, without coordination, this could result in fragmentation, duplication of resources and standards being inconsistent across different providers.

There is an alternative. If a national generic advice service is to work, then consumer awareness of the service needs to be high, and resources targeted and coordinated. The targeted behavioural change needs to be defined and appropriate measures of success need to be set for specific groups. It is sensible to utilise the existing infrastructure provided by the public/ third sector but delivery and standards of advice need to be coordinated. This implies operating the service under a strong, single national advice service brand, with a single gateway/ entry point (telephone helpline, website, and logo) similar to the Legal Services Commission/ Community Legal Service set-up. Participating organisations would display a logo to signify that they provide generic advice.

Therefore, Government would need to provide a central, coordinating function to establish the service – however, ongoing management and coordination could be handed over to a separate agency.

We have provided responses to most of the questions in the call for evidence. However, there are some questions aimed at existing providers of advice which NCC cannot respond to – namely those relating to operational issues AO1 – DO5.

Before going on to answer the specific questions, we do have some concerns about the working definition of ‘generic financial advice’ used in the paper.

We agree with the view that a system of generic advice should include personalised help and guidance. However, if a national advice system is to be effective then it is likely that it will need to include the provision of general financial information e.g. fact-sheets, how-to-guides and so on. This by definition would not be personalised.

Moreover, there is need for organisations that offer personalised support services such as arranging debt repayment plans, negotiating on behalf of consumers with creditors, or benefits agencies. This goes further than providing information, guidance or advice.

However, the main concern relates to the reference on page 3 of the review, that generic financial advice would be a system of *unregulated* help and guidance. It is not clear what the Review team means by ‘unregulated’ in this instance. Would this apply to all providers of generic advice regardless of legal form – for example, would private sector providers be able to set up generic advice subsidiaries offering generic advice for commercial gain? If that is the case, it is likely to expose consumers to potential detriment and undermine confidence and trust in the national advice service.

Therefore, we would suggest that, although generic advice would not involve specific product recommendations, services provided through private sector channels for commercial gain (of any sort, including indirect financial relationships) would still need to be regulated under the current regime to address conflicts of interest, protect consumers and promote consumer confidence.

Response to specific questions

AS1. What generic financial advice services are you aware of in the UK? Are these provided by the public sector, the private sector or the voluntary sector?

There is a wide range of generic financial advice and information providers in the UK – provided by public sector, third sector and private sector and through various partnerships, nationally and locally based. This is not an exhaustive list as there are numerous locally based advice centres also providing ‘generic’ advice.

Public sector/ third sector

Advice Services Alliance – the coordinating body for independent advice services in the UK. It provides information and guidance on a range of issues including benefits and money matters through its Advicenow website.

Advice^{UK} – just fewer than 1,000 independent advice centres operate under the Advice^{UK} network. Members are either generalist service providers offering advice on a range of subjects, or specialist service providers offering in-depth advice in one area.

Age Concern – through its local offices provides independent information and advice on a wide range of issues that are relevant to older people including welfare benefits, and financial advice including debt counselling. Age Concern also backs Heyday – a membership organisation offering information and guidance on money matters.

BBC One Life – the BBC’s One Life Finance section provides advice and information on a range of money matters aimed at younger people.

Citizen Advice – provides free advice on a range of financial matters, including debt and benefits, on a national basis from over 3,000 locations including in bureaux, GP surgeries, hospitals, colleges, prisons and courts. Advice is available face-to-face and by telephone. Most bureaux offer home visits and some also provide email advice.

Community Legal Service (CLS) – a national network providing information and advice to consumers about their legal rights including some money matters. It brings together legal aid solicitors, Citizens Advice Bureaux, Law Centres, local authority services and other organisations in local networks. Community Legal Service Direct is a free government-funded advice service for consumers needing independent advice about money matters such as debt, benefits and tax credits.

Community Money Advice (CMA) – an umbrella organisation for churches set up "drop in" centres offering free, impartial debt advice.

Consumer Credit Counselling Service (CCCS) – is a charity that provides free, independent, debt counselling and advice to consumers experiencing financial difficulties, and helps arrange debt repayment plans. It operates a free national telephone service, ten regional centres and online CCCS Debt Remedy tool.

Credit Action – a national money education charity which produces a range of resources to help people manage their finances.

DirectGov – the government's one stop shop for information and guides on a range of consumer issues including money, tax and benefits.

Financial Services Authority (FSA) – the FSA provides a range of guides and information on financial products through its moneymadeclear website.

Help the Aged – provides information and guidance on money matters such as benefits and pensions and sources of financial advice

Money Advice Trust/ National Debtline – provides free, independent money advice for people with debt problems – through National Debtline and Business Debtline.

Office of Fair Trading (OFT)/ Consumer Direct – Consumer Direct is the government-funded telephone and online service offering information and advice on consumer issues. It is funded by the Office of Fair Trading and delivered in partnership with Local Authority Trading Standards Services.

TaxAid – a UK charity providing free, independent tax advice to people who cannot afford to pay a professional adviser.

The Pensions Advisory Service – an independent non-profit organisation that provides free information, advice and guidance on pensions covering State, company, and personal pensions. It operates a telephone helpline, email based inquiry system and produces a range of leaflets on pension issues.

The Pension Service – part of the Department for Work and Pensions, it provides information and guidance on pension issues. It operates a telephone helpline, website and face to face service, and has a network of pension centres.

Toynbee Hall – Toynbee Hall backs a number of initiatives to challenge financial exclusion including ‘Capitalise’, a London-wide partnership that provides a debt and money advice programme.

TUC/ trade unions – the TUC along with individual trade unions produces a range of information and resources on pensions.

Which? (formerly the Consumers’ Association) – produces a range of information and advice resources on money matters both for members and the general public

Private sector providers

There is a range of private sector firms now providing debt ‘advice’ services such as arranging debt repayment plans which are too numerous to list.

In addition, many mainstream financial services providers including high street banks offer ‘financial health checks’.

AS2. For the services in AS1 please give some information on structure (e.g. funding, governance, scope of service, geography, legal basis of advice, scale constraints etc.)

Funding

The public sector/ third sector services are funded through a combination of sources. Some, such as the Community Legal Services Direct, are funded directly by government. Other initiatives are funded by a combination of charitable funding and sponsorship, whereas the Consumer Credit Counselling Service (CCCS) is self-funding as the charity receives a share of debt repayment plans.

Governance

There are a number of different governance structures.

Most of the organisations listed above are not-for-profit organisations/ registered charities overseen by boards of trustees.

However, there are other governance models. For example, the Community Legal Service is overseen by the Legal Services Commission – a non-departmental public body sponsored by the Department for Constitutional Affairs (DCA), while the

Consumer Direct Service is run by the OFT in partnership with the Local Authority Trading Standards Services.

The governing body of Citizens Advice is a Trustee Board but it also operates broadly under similar rules and regulations to those governing executive Non Departmental Public Bodies (NDPBs) and, as such, it is subject to a comprehensive review every five years.

Scope of service

The organisations listed above provide a mixture of services to consumers. Some provide advice, guidance and information on a range of money matters. However, many focus on specific issues such as debt and benefits advice. Some organisations, such as Help the Aged or Age Concern, naturally focus on providing services to older people.

Geography

Most of the organisations described above operate on a national basis. However, there are a large number of locally based advice centres based in local communities, or providing advice to a particular community.

It is not feasible to provide details on each of the organisations listed above. Details of funding, governance, and scope of services are available on the relevant websites. The review team is likely to receive submissions from these organisations which will contain more detail.

Legal basis

To the best of our knowledge, none of the not-for-profit/ charitable organisations are regulated in the conventional sense to provide financial advice (with the exception of Advice^{UK} which is authorised and regulated by the FSA in respect of General Insurance mediation activities).

However, these organisations will operate under a general legal duty of care to clients and many will have legal liability insurance in place.

Scale constraints

The capacity of these organisations to provide services varies depending on the size of the organisation and availability of funding. Many operate on a national scale and achieve significant throughput of clients, while others operate on a much smaller local scale (whether through choice or due to capacity constraints). We are not in a position to assess to what degree the capacity of these organisations to deliver advice services is constrained by lack of resources.

More generally, the need and demand for advice does seem to be increasing due to the rise in personal debt and other issues. We are not in a position to evaluate how much that need and demand is being met by existing capacity in the system.

However, it is to be hoped that the Thoresen Review team will use this opportunity to undertake a comprehensive, informed assessment of the level of need for generic financial advice with an estimate of the aggregate level of resources and capacity currently available for meeting those needs. This can never be an exact science but it is important that some form of gap analysis is undertaken to ensure that any national advice service is properly resourced. As well as identifying the aggregate level of resources needed, it is important to establish whether there are specific areas where needs are not being met.

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

Consumers do not live their lives in ‘silos’. Many have complex financial needs that change over time as their financial and personal circumstances change. Therefore, we prefer to use a wide definition of generic financial advice to encompass the provision of advice, guidance or information on general financial matters such as financial planning, rights to redress plus specific financial needs/ product areas (debt, pensions, welfare benefits and so on). However, this should stop short of advice/ recommendations on specific regulated products and providers.

A referral mechanism and protocol should be developed so that generic advisers recognise when consumers need to be referred onto specialist advisers or FSA regulated advisers.

Generic advice providers could offer the following services to consumers:

- provide information and advice on financial products and services – i.e. a general public information and education role;

- provide information on rights, regulation and means of redress (eg. how to complain, use the Financial Ombudsman Service or compensation schemes, how industry codes of practice work etc). This service could be particularly beneficial during times of major crisis – eg. mortgage endowment misselling etc;
- provide generic advice, or specific advice on debt or benefits
- assist consumers with the general financial planning process (see below).
- conduct basic financial healthchecks i.e. assessing financial circumstances to ensure that consumers have considered their needs with regards to:
 - access to bank accounts/ credit facilities
 - emergency savings funds
 - protection for dependants
 - sufficient pension provision
 - entitlement to benefits.
- provide general information on product providers, using FSA comparative information tables, drawing attention to availability of CAT marked products etc.

General Financial Planning role

Financial planning can be a complex process but four broad stages can be identified which generic advice providers can help consumers with:

- **Awareness:** this is the first stage of the decision making process and relates to the awareness of the need/ or desire to do something. Generic advice providers could play an important role in providing information and raising awareness amongst the consumer population on the benefits to them and their need to: assess finances generally, save for a pension, pay off debts, protect income, insure possessions and so on.
- **Planning:** once the desire and need has been recognised and identified, the next stage is planning how to meet those needs e.g. working out how much consumers should be contributing to a pension, attitudes to risk and reward, how much debt to pay off and so on. Generic advisers could undertake financial health checks to assess consumers' financial circumstances. Generic financial advisers could also undertake financial fact finds to help consumers make financial plans – these fact finds could be portable to allow consumers to be referred onto specialist advisers if necessary.

- **Decision making and implementation:** once the plans have been made, consumers have to decide what action to take, to choose products and providers (if applicable), implement debt plans and so on. Generic advice providers could offer personalised support services such as arranging debt repayment plans, negotiating on behalf of consumers with creditors, or benefits agencies. This goes further than providing information, guidance or advice.
- **Monitoring and review:** over time plans and decisions then need to regularly monitored and reviewed. This is particularly relevant if the consumer took no action as a result of the generic advice. Generic advice providers could maintain ongoing relationships with consumers to monitor and review financial plans, and help consumers take further action, or remedial action if necessary.

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

We are not aware of any specific examples that match closely the concept of a national generic advice service being considered here. However, as in the UK, there are a number of public/ third-sector and private sector sponsored organisations offering guidance and information on general financial matters and specific issues in other countries.

For example, in Australia, the National Information Centre on Retirement Information (NICRI) provides information on planning for retirement or redundancy for consumers on modest incomes. The Australian Securities and Investment Commission (ASIC) produces a range of guides and information on money matters through its FIDO website.

In the USA, the National Foundation for Credit Counselling operates a national network of accredited debt counsellors. The US Department of Justice also maintains a register of Certified Credit Counsellors. The industry body, the Financial Services Roundtable, sponsors MyMoneyManagement.net – website producing guides and resources on debt counselling and financial planning.

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

There have been a number of studies published over the past five years which should be relevant to the Review Team's work – in terms of establishing the case for a national generic advice service, defining how the service might be structured (for example, relationship with the new system of Personal Accounts), governance and branding of the service (i.e. because of consumer attitudes and levels of trust in financial services industry). These are listed below.

The review team should also consider the use of adopting a 'social marketing' approach to the development of future services. 'Social marketing has been endorsed as a powerful new approach to population behaviour change and systems reform by DEFRA the Department of Health, The Treasury and the Cabinet Office (See Building on Progress and Its Our Health). The Review team will also find the work of the **National Social Marketing Centre** (NSMC), based at the NCC, extremely helpful in identifying the behavioural goal of a generic advice network. Further details can be found at www.nsms.org.uk.

The DTI evaluation of the pilot of the 'your guide' service of post offices as government general practitioners: 16 July 2001 - 1 March 2002 may well be useful. The pilot study tested out different delivery channels for conveying government information and services including: a touch screen service, over the counter service, a free phone service and significantly an expert advice centre (EAC) service, provided by a range of practitioners including Age Concern, the Department for Work and Pensions and the Inland Revenue. While the study has been criticised for the limited testing period (July 2001 until March 2002 in Leicestershire and Rutland), it found the post office to be an effective tool pro-active and reactive way of reaching vulnerable consumers. Customer satisfaction with EACs was high. 96% of users stated that they were satisfied with the service they received, with 95% indicating that they would recommend the service to a friend. 75% of EAC attendees said that the location, quality of service, privacy and confidentiality of the service were better than that of the existing providers and 96% said that they would use the service again. The evaluation is available at: <http://www.dti.gov.uk/files/file28806.pdf>. We would also recommend that the Review team consult people who worked on the pilot, particularly the team from Post Office Ltd.

Reports directly relevant to generic financial advice include:

FSA, Financial Capability in the UK – Establishing a Baseline, 2006
http://www.fsa.gov.uk/pubs/other/fincap_baseline.pdf

FSA, Financial Capability: developing the role of generic financial advice, 2005
http://www.fsa.gov.uk/pubs/other/fin_cap_gen_advice.pdf

FSA, Building Financial Capability in the UK – the role of advice, 2004
http://www.fsa.gov.uk/pubs/other/role_advice.pdf

Resolution Foundation, The Advice Gain: The impact of generic financial advice on the financial services industry, 2007
http://www.resolutionfoundation.org/pdfs/news_advicegainsummary_01032007.pdf

Resolution Foundation, A National Dividend: The economic impact of financial advice, 2006
http://www.resolutionfoundation.org/pdfs/research_report_A_national_dividend_15092006.pdf

Citizens Advice, Results of pilot study testing generic financial advice, 2006
http://www.citizensadvice.org.uk/index/pressoffice/press_index/press-060106.htm

Financial Services Consumer Panel, Survey of consumer attitudes to financial services and their experience in buying them, 2006
http://www.fs-cp.org.uk/pdf/experience_mar06.pdf

Financial Services Consumer Panel, Consumers' money management and financial planning, 2005
<http://www.fs-cp.org.uk/pdf/research053.pdf>

Financial Services Consumer Panel, Consumer Confidence in the Financial Services Industry, 2005
<http://www.fs-cp.org.uk/pdf/confidence.pdf>

Financial Services Consumer Panel, Financial Reviews, 2004
<http://www.fs-cp.org.uk/pdf/040213.pdf>

Which? Financial Advisers report, 2007

http://www.which.co.uk/reports_and_campaigns/money/reports/savings_and_investments/investments/Financial%20advisers/financial_advisers_report_657_93633.jsp

Which? Pensions Research, 2006

<http://www.which.co.uk/files/application/pdf/Which%20Pensions%20Research%20July%202006-445-94947.pdf>

Which? Choice and Pensions, 2005

https://www.which.co.uk/files/application/pdf/0506choicepensions_rep-445-55629.pdf

Which? Consumers' Association, National Financial Advice Network Policy Paper, 2002

http://www.which.co.uk/files/application/pdf/0205adviceforlife_polpaper-445-55593.pdf

AS6. Do you consider the current infrastructure could deliver the kind of generic financial advice provision envisaged by this review? Or is a new structure required?

If a national generic advice service is to properly recognise and meet the needs and demands of consumers then a number of conditions must be met:

- i) enough providers have to participate in the service to ensure there are sufficient access points for consumers;
- ii) sufficient funding will have to be made available so that participating providers have the capacity to meet the need for advice (this funding will need to be coordinated to ensure resources are deployed efficiently);
- iii) participating providers (and staff) will need appropriate training, skills and qualifications;
- iv) the delivery mechanism and governance structures will have to be fit-for-purpose;
- v) consumers need to be aware of the service – this implies some sort of branding; and
- vi) the regulatory framework will have to be appropriate and strike the right balance between protecting consumers and also encouraging enough providers to participate in the national service.

The UK is well placed to create a national system of advice because of the existing infrastructure provided by the huge range of public/ third sector organisations currently operating in the field. So there is no need to build a entirely new infrastructure. However, changes do need to be made to the current infrastructure if we are to see national system of generic advice consumers need.

There would certainly seem to be enough potential participating providers in the public/ third sectors to create a national network of access points. For example:

- CABx
- Advice agencies
- Credit unions
- Post offices
- Local government outlets
- Charities
- Government agencies
- Trade unions

In addition, these access points could be complemented by workplace advice and private sector generic advice provision (although this would need a differentiated form of regulation because of the commercial interest involved).

Furthermore, these community based access points could be complemented by a telephone helpline and website.

Therefore, it would seem to be sensible to create a national advice service around these existing organisations rather than try to recreate a whole new infrastructure or network of agencies.

It is unlikely that all participating agencies/ organisations would be in a position to offer the full range of generic advice services. Some may choose to offer a comprehensive range of services, while others may specialise in debt advice, or benefits advice. The critical point is that capacity and resources should be matched to areas of need. Moreover, it is likely that some sort of referral service would need to be incorporated so that consumers can be efficiently referred onto an agency/ organisation that specialises in a specific area.

However, even if there are enough potential providers it is difficult to say whether there is sufficient capacity within the advice world to meet the need for generic advice. The need and demand for advice does seem to be increasing due to the rise in personal debt and other issues. But, we are not in a position to evaluate how much that need and demand is being met by existing capacity in the system.

Estimating capacity is never an exact science, but the Review team should undertake a gap analysis to ensure that any national advice service is properly resourced.

It is important that funding is coordinated to avoid duplication of resources, and to target groups of consumers in greatest need of generic advice. However, the development a generic financial advice service should not be seen as a way of reducing the level of funding available to the third sector to deliver advice services. While the Community Legal Service (CLS) provides a useful model (see below) for structuring the delivery framework for the national generic advice service, concerns have been raised that cuts in funding have reduced the overall capacity of legal services to provide access to legal advice. It is important to avoid this scenario when developing a national generic financial advice service.

Moreover, it is not clear whether the level of training and competence across the public/ third and private sectors is of a consistently high standard to meet consumers' needs. It is likely that a mechanism for accrediting general financial planners and/ or accrediting agencies will be needed to ensure the advice is of sufficiently high standard and ensure resources and funds are used efficiently by participating providers.

This points towards having a central, governing and coordinating body along the lines of the Legal Services Commission/ Community Legal Service structure to create a branded, national advice service. The aim of the CLS is to improve access, for the

public, to quality information, advice and legal services through local networks of services supported by co-ordinated funding and based on an assessment of local needs.

This has clear parallels with the aims of providing national generic financial advice. A national advice service governing body could operate along similar lines and would be responsible for:

- assessing needs, matching capacity to areas of need;
- planning and managing services (ie. the network of accredited advice agencies plus telephone helpline, register of accredited agencies and specialist providers, referral service and website);
- coordinating funding and awarding contracts;
- overseeing accreditation/ training and competence of advisers;
- promoting awareness of the service.

BS1. Who should generic advice aim to serve including a view on segmentation?

A national generic financial advice service should aim primarily to meet the core financial planning needs of low-income consumers who do not have access to objective, quality advice from the private sector.

However, it is difficult to envisage a system which specifically excludes consumers on medium-higher incomes unless some form of means-testing was applied. Moreover, there is a need for a service which provides information and guidance on problem issues that affect consumers on medium incomes as well as lower income groups such as endowment shortfalls, how to get redress as well as general financial planning help. Therefore, the service should be open to all but set up and run to address the specific needs, including supply and demand-side barriers, of vulnerable and excluded consumers.

BS2. Are there groups it should not aim to serve and how might they be excluded or steered away?

As mentioned above, the service should aim to serve priority, excluded consumers which implies that it should not aim to meet the needs of higher income groups of consumers. But, it may be difficult to explicitly exclude certain groups unless an income threshold is applied.

However, it all depends on whether national advice service providers were allowed to charge a fee. If a fee was charged, it would be possible for qualifying consumers (e.g. on lower income or with specific needs) to be exempted from the fee, or given a

voucher to pay for the advice. This could dissuade consumers on higher incomes from using the service.

It is expected that the national advice service would make use of protocols for screening and prioritising cases. Screening would allow advisers and operators to identify priority cases with greatest need and refer consumers to private sector financial advisers if it transpired (as a result of a financial health check) that they had sufficient personal resources to warrant a full financial review. This would enable resources and services to be targeted on excluded consumers.

Furthermore, it is hoped that as a result of the FSA's Retail Distribution Review (RDR) a market for general financial planning advice (separate from product recommendations paid for by commission) will develop. This should allow private sector financial advisers to develop commercial propositions for higher-income consumers who may prefer to pay for a more detailed, complex financial advice service.

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

For a number of reasons, it would seem sensible to utilise the existing network of public sector/ third sector organisations to reach the target market.

These organisations already have an established presence in the target markets – either by having a well established trusted brand or based in local communities and, therefore, accessible.

Furthermore, the long experience of many of these organisations provides them with a particular understanding of the needs of vulnerable consumers on low to medium incomes.

Promoting confidence and trust in the national advice service is critical if consumers are to be persuaded to engage with the service. Third-sector organisations in particular do not experience the same reputational and trust issues faced by the private sector financial services industry.

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

A wide definition of generic financial advice is more appropriate if the needs of consumers are to be met. Therefore, the content should encompass the provision of

advice, guidance or information on general financial matters such as financial planning, rights to redress plus specific financial needs/ product areas (debt, pensions, welfare benefits and so on). However, this should stop short of advice/ recommendations on specific regulated products and providers.

It would not be appropriate to exclude subjects or restrict content if the aim of the service is to provide consumers with ‘holistic’ advice. Consumer groups are often critical of industry financial advisers for failing to get a complete and true picture of consumers’ financial circumstances when giving financial advice – this can lead to inappropriate, unsuitable, or poor quality advice. The complexity of problems faced by consumers means that restricting content of generic advice could lead to incomplete or inappropriate advice being provided by the new national advice service.

It would be difficult to explicitly exclude specific products or subjects e.g. complex regulated products as the definitions would need to be revised on a regular basis to deal with market innovations. Moreover, excluding certain products could restrict consumers’ ability to get advice on how to obtain redress in the event of misselling.

However, this does not imply that every provider participating in the national advice service would be required to offer advice on all subjects or products.

BS5. How can the boundary between generic and regulated advice be clarified so that it is clearly understood by both consumers and those giving generic advice? Where should it be drawn?

If a national generic advice service is to be fully effective, then it is critical that clear boundaries are drawn on two levels between:

- generic/ general advice (for definition, see response to AS3) and advice/ recommendations on specific products (which would need to come under FSA regulation), and
- generic advice provided by non-profit agencies and generic advice provided for a commercial gain (which would also need to come under FSA regulation).

There is a real need for general financial planning advice (or generic advice) which stops short of advice on specific product recommendations. This generic advice could be delivered via a combination of channels including government sponsored, third sector/ non-profit agencies, and, potentially, the private sector. Common protocols would need to be developed for delivering advice through each of the channels.

However, it is important to understand the context in which the advice is provided and the purpose for which the advice is provided. The implication in the question is that generic advice would not be regulated. Although generic advice would not involve specific product recommendations, generic advice provided through private sector channels for commercial gain would still need to be regulated under the current regime.

By definition, the involvement of a commercial gain for any service (whether in the form of a direct fee, referral/ introduction fee, or indirect financial relationship) introduces conflicts of interest that increase the risk of detriment occurring. This conflict of interest does not exist to the same degree when services provided by not-for-profit agencies. Furthermore, it is to be assumed that private sector advice providers would want to use the generic advice service as a means of identifying potential leads to convert into sales recommendations. This means the boundary between generic and specific advice would need to be policed.

It is unlikely that the national generic advice service will attract the involvement of sufficient numbers of third-sector delivery partners if a high degree of regulatory risk is involved. It is fair and pragmatic to expect that generic advice provided by third sector providers would not be regulated in the conventional sense – for example, coming under FSA conduct of business requirements, individual authorisation and so on.

However, allowing private sector providers to provide generic advice for a commercial gain introduces obvious conflicts of interest into the advice process. This requires some form of regulatory oversight to protect consumers.

There is an argument which holds that because generic advice is not intended to encompass specific product recommendations then the potential for detriment is removed. It should indeed remove some of the potential for detriment. However, it needs to be recognised that the detriment associated with product recommendations isn't necessarily due to the actual product (although complexity is a factor), it occurs because of the conflicts of interest that are introduced as a result of the commercial inducements available for recommending the product. These commercial inducements can result in advisers recommending a course of action that suits the adviser's commercial interests rather than the consumer's needs.

There is a risk that, even though no actual product recommendation is made, consumers will be 'steered' towards a particular course of action or product type that suits the commercial interests of private sector generic advice providers.

Therefore, it will be necessary to apply a differentiated regulatory regime depending on which channel the advice is being delivered through.

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

If a national generic advice service is to work, then consumer awareness of the service needs to be high. This implies operating the service under a strong, single national advice service brand, with a single gateway/ entry point (telephone helpline, website, and logo).

Participating organisations would display a logo to inform consumers they are part of the national network of advice agencies.

This single, branded approach would enable any organisation to refer consumers to the national advice service for more information (or to individual participating organisations) if it was thought necessary.

The national advice service coordinating body would also be in a position to maintain a register of accredited agencies – including lists of agencies that specialise in providing advice on specific issues such as debt advice, benefits and so on.

The lack of a central coordinating function would make it much more difficult for organisations to refer consumers to providers offering good quality generic advice.

BS7. Where should people be referred to after receiving generic advice? Should it be possible to refer people to a commercial provider? If so, how?

A national generic advice service should complement existing sources of advice and improve access to and the overall quality of advice available to consumers. It will be most effective if it includes a referral or hand-over mechanism between generic advice providers and other advice providers (whether private sector or other specialist not-for-profit agencies).

For example, it is possible to envisage a situation where a consumer receives generic financial planning advice from a not-for-profit agency adviser who conducts a fact-find to assess the client's disposable income, debts, existing product provision, and so on. If it transpired that the client did have significant debts then, if necessary, the adviser could then refer the client to a specialist debt advice agency. Alternatively, if the client was underprovided for (e.g. insufficient pension provision, lack of insurance) then the adviser could provide the client with guidance on how to choose

a commercial adviser or product provider (fact sheets, explaining the FSA's comparative information tables and so on).

Not all participating organisations within the national advice service will be in a position to offer advice on the full range of financial needs – especially third sector organisations that have limited resources. Some may offer basic financial health checks but may not feel equipped to offer specific advice on debt. Therefore, they should be able to refer consumers to advice agencies who specialise in debt counseling. The existence of a central experts register would help with this referral process.

The Community Legal Service operates a register of legal information and advice providers who have the Community Legal Service Quality¹. This register is searchable to allow consumers to find an adviser close to their home, or look for a particular category of legal advice e.g. employment law, debt, personal injury and so on. This model could be adapted for the provision of generic advice.

It would not be appropriate for public sector/ third sector advice agencies to refer consumers to specific commercial providers because of the potential conflicts of interest and need for regulation. However, they should be able to recommend that a consumer seek specialised financial advice if needs be and provide them with fact sheets or guidance on how to choose an adviser.

Commercial generic advice providers would be able to refer consumers to other commercial providers, as is currently the case with the financial services advice market. However, commercial advice providers and the generic advice process would need to be regulated – in particular, the boundary between generic advice and specialist advice and the referral process would need to be policed to address conflicts of interest that will arise. Currently, advisers are required to disclose their status and commercial arrangements (e.g. commission payments) with product manufacturers. It is only reasonable to expect that generic advice/ advisers should attract a similar regulatory approach.

Protocols would also need to be agreed on the components of generic advice, design and portability of fact-finds, processes to be followed and, critically, how to manage the referral or handover relationship. Much of this could be common to all channels. However, protocols for referrals would need to be differentiated for private sector channels to incorporate disclosure of referral fees (if applicable).

¹ See <http://www.clsdirect.org.uk/directory/directorySearch?lang=en>

It will be necessary to agree a protocol on the portability of fact finds (e.g. on shelf-life). But, the difficulties should not be overestimated. The industry may have concerns about the reliability of fact finds and accuracy of consumer data generated in a different place fearing that industry advisers will be liable for inappropriate advice made as a result of flawed information.

However, industry advisers face this challenge under the current regulatory regime. Under the Treating Customers Fairly regime advisers/ sale staff must gather sufficient information for them to be aware of the consumers' financial circumstances in order to recommend an appropriate product. The regulations allow discretion as to how much information is gathered and what checks are followed to ensure the information is accurate. It would seem reasonable that the same principle should be carried over into the relationship between generic advice and specific advice. It should be at the firm/ adviser's discretion as to how much trust and confidence they place on a fact find generated somewhere else and whether they need to duplicate the process.

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

It is too early to say what precise qualifications generic financial advisers would need as the remit has not been decided. However, the level of training would need to be appropriate to the advice provided i.e. some service providers will offer general financial planning which suggests that broad qualifications and/ or training would be needed, while others might offer niche advice on subjects such as debt problems or benefits advice which suggests that specialist qualifications/ training would be needed.

The critical point is to ensure that consumers can have confidence that the quality of advice they receive is of a consistently high standard. This suggests that some form of recognisable quality mark needs to be developed to allow consumers to identify competent service providers – this could take the form of either a qualification for individual advisers or an accreditation scheme for providers.

There are a number of existing models that can be developed to provide either the basis of a recognised generic advice qualification, or an accredited quality mark.

The Financial Services Skills Council (FSSC) is working with the industry to develop performance standards that could be approved as National Occupational Standards (NOS) for providers of Generic Financial Advice². The standards define the

² See, https://www.fssc.org.uk/cgi-bin/wms.pl/Standards_and_accreditation/278

boundaries for Generic Financial Advice as a stand-alone service and establish a set of core skills and competences for those who engage in this activity, whether in the private or not for profit sector. The standards will form part of the National Standards Framework being developed across the entire financial services industry. These standards could be adapted to create a qualification for generic advisers.

An alternative approach would be to accredit service providers. The Community Legal Service Quality Mark provides a possible model. To be awarded the Quality Mark and be able to display the Quality Mark logo organisations need to demonstrate that they meet the standard required for the type of service being delivered³.

There are 3 Quality Mark standards relating to different levels of service:

- Information
- General Help
- Specialist Help

A national financial advice service quality mark could be structured on a similar basis – with information provision, general advice and specialist advice categories. Advisers could be sourced from a number of sectors. The obvious place is the existing providers of advice in the public/ third sectors. However, the relationship between generic financial advice and specialist regulated financial advice provides an alternative career path which could be attractive for industry advisers.

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

It is not envisaged that public/ third sector generic advice providers would need to be regulated in the conventional sense to provide financial advice i.e. is authorised and regulated by the FSA. However, these organisations will operate under a general legal duty of care to clients and many will decide to have legal liability insurance in place. Moreover, some form of complaints and redress mechanism would need to be available – this could be operated by the central coordinating body.

Commercial providers of generic advice would need to be regulated. Therefore, it will be necessary to apply a differentiated regulatory regime depending on which channel the advice is being delivered through.

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

³ See, http://www.legalservices.gov.uk/civil/quality_mark.asp

A new generic advice service would affect providers in different ways depending on the nature of provider and the approach followed by the Government.

Third Sector providers

The key issue for third sector advice providers is the level of resources available. If sufficient coordinated funding is made available, this should significantly increase the capacity of the third sector to meet the needs of vulnerable consumers.

However, the development a generic financial advice service should not be seen as a way of reducing the level of funding available to the third sector to deliver advice services. While the Community Legal Service (CLS) provides a useful model for applying to the national generic advice service, concerns have been raised that cuts in funding have reduced the overall capacity of legal services to provide access to legal advice. It is important to avoid this scenario when developing a national generic financial advice service as this could damage the ability of the sector to help vulnerable consumers.

Financial services industry providers

Generic advice would offer considerable benefits for the financial services industry. Consumers with access to suitable advice are:

- in a position to plan more effectively for the future and manage finances;
- at lower risk of detriment such as mis-selling of unsuitable products which should lead to lower regulatory and redress costs;
- more capable of making informed choices so promoting more effective competition;
- more likely to engage willingly with the financial services industry – long-term this should reduce unit costs and promote financial inclusion and greater take-up of products by consumers.

The availability of generic advice and, specifically, a portable fact-find, should deliver specific business benefits for the industry as well (as well as leading to an overall improvement in consumer choices and greater take up of products). The generic advice service would act as a 'filter' for the private sector by screening out consumers who are not commercially viable. This would improve conversion rates and, in turn, free up more time for the industry to prospect for new business. Furthermore, the portable fact-find could allow the industry to save time filling in forms, and collecting basic information so further speeding up the end-to-end sales process. Overall, this should lead to a reduction in distribution unit costs.

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

In an ideal world it may be desirable to offer a generic advice service that is free at the point of delivery to all users. This would remove the most basic barrier to access for vulnerable consumers on low incomes who are, arguably, most in need of this type of service.

Research has shown, however, that some users of fee-charging debt management services were aware that they could have obtained free advice from voluntary sector services but felt that these were not suitable for their needs (Whyley and Collard, 1999). These consumers, who tended to be in employment and have middle to high incomes felt that free advice services were targeted at people without employment who had no alternatives. They felt it would be inappropriate for them to take up a free service when they did not really need it and some felt that the service available would not be suitable for people in their circumstances. In addition under-resourced free advice services are not accessible to many consumers that need them because of long waits for appointments and limited opening hours.

For this reason, decisions about charging for generic financial advice must be taken in the wider context of the overall funding and delivery of the service. If, in practice, offering a free service would constrain the scope of service – including the numbers of people served, waiting times, consultation times, or the quality/professionalism of staff – this could seriously undermine its success. It could, ultimately, result in a situation where, as now, people who can afford to do so choose to pay for alternative sources of advice, resulting in a real or perceived two-tier system.

Some form of industry subsidy may be necessary and justified because of the benefits a national service would bring for the sector. However, there may also be a case for charging users of the service on a sliding scale basis, as occurs with other charitable services such as Relate. It is likely that demand for generic advice services will extend beyond low-income consumers who cannot afford to pay for advice at all to include those with medium-higher incomes for whom they may still be unable to afford to pay for independent financial advice or for whom existing regulated advice services are inappropriate. In this context, charging a subsidised rate to those who can afford to pay for advice could enable the service to be developed in a much more sustainable way, and to grow in line with the scale and nature of demands placed on it.

If a fee was charged, it would be possible for qualifying consumers (e.g. on lower income or with specific needs) to be exempted from the fee, or given a voucher to pay for the advice.

CS2. Is there any evidence that supports a commercial case for a generic financial advice service (including required changes to the existing model to improve the situation)?

As mentioned above, there is a strong case for the financial services industry to subsidise a national advice service because of the benefits that will accrue to the sector.

If the FSA's Retail Distribution Review (RDR) produces positive outcomes for consumers such as a separation of the product manufacturing, distribution and advice phases, then a standalone market for general financial planning advice (separate from product recommendations paid for by commission) could develop. This should allow private sector financial advisers to develop commercial propositions for medium-income consumers who may prefer to pay for a more detailed, complex financial advice service.

However, research commissioned by the Resolution Foundation suggested that the scope for commercial organisations to provide generic advice to consumers on lower incomes remains limited⁴.

Care must be taken not to fall into the trap of assuming that changing the model by allowing generic advice to be unregulated will improve the situation. Unregulated generic advice introduces significant consumer and reputational risks but is unlikely to deliver significant cost savings (see response to CS5, below).

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

A number of benefits need to be set against the explicit costs of providing a national advice service.

It should deliver considerable benefits for individual consumers and the consumer population generally. Consumers who have accessed objective financial advice are: in a position to plan more effectively for the future and manage finances; at lower risk of detriment such as mis-selling of unsuitable products; and more capable of making informed choices.

⁴ Generic Financial Advice: Evaluating commercial approaches, Alan Goodman for Resolution Foundation, 2006

It should also deliver benefits for the financial services industry in the form of lower unit costs, increased efficiency, and more effective competition in the market (see answer to BS10, above).

Furthermore, it should deliver additional benefits for society generally. For example, access to a generic financial advice service would lower some of the key barriers to financial inclusion – it should reduce unit distribution costs for the industry. Generic advice should also promote greater savings amongst the consumer population. It will also serve to complement the delivery of personal accounts by promoting better investment choices amongst scheme members.

It is difficult to quantify the benefits with precision. However, the Resolution Foundation has developed a model for quantifying the benefits to individuals and society. The Foundation published a report⁵ which concluded that the following savings could be delivered:

For the individual

- Personal wealth among today's young people could increase by an average of around £60,000 by the time they reach 60 years of age
- Young people could also see their retirement income increase by up to £1,500 a year
- The number of people suffering financial stress could be reduced by up to two-thirds

The State/ taxpayer

- Within 10 years of delivering the advice, public expenditure savings in Pension Credit could reach £100 million a year
- These savings could rise to £800 million a year later in the century
- Financial advice would help achieve a number of public policy objectives including improving financial capability, reducing debt, reforming the pension system, tackling poverty and improving health

This would be set against the costs of running a national advice service. Resolution Foundation estimate that it would cost £50-£65 million a year to run a service based

⁵ Resolution Foundation, A National Dividend: The economic impact of financial advice, 2006

primarily on web-based and telephone advice, augmented by some face-to-face advice.

CS4. What factors should be taken into account in deciding how to split any costs of a generic advice service between the stakeholders who will benefit from the service?

Three main groups of stakeholders should benefit from the creation of a national advice service – the state (and therefore taxpayers); the financial services industry; and the individual consumer.

There is a strong case for the financial services industry to be required, at least in part, to subsidise generic advice services as they will, ultimately, benefit from a better informed, more confident customer base. This funding must, however, be organised in a systematic and sustainable way – rather than on a voluntary basis as currently happens with free debt advice provision. Providers of generic financial advice have to be able to plan and organise delivery of the service on a medium to long-term basis.

There is also a case for expecting the state (through taxpayers funds) bearing some of the costs of establishing and running the advice service because of the forecast savings. The NCC has consistently campaigned for dormant account money to be used to fund financial capability which may include a generic financial advice network.

There may also be a case for charging users of the service on a sliding scale basis, as occurs with other charitable services. Charging a subsidised rate to those who can afford to pay for advice could enable the service to be developed in a much more sustainable way, and to grow in line with the scale and nature of demands placed on it. If a fee was charged, it would be possible for qualifying consumers (e.g. on lower income or with specific needs) to be exempted from the fee, or given a voucher to pay for the advice.

It is difficult to decide on the appropriate balance of funding between the three main stakeholder groups. On the face of it, costs could be split according to the share of the expected benefits. It may be possible to make an estimate of the benefits for different stakeholder groups building on the Resolution Foundation approach.

However, if part of the funding is to come from fee income charged to users, it is important that any fee should be realistic and not dissuade consumers from using the service. This suggests that fee levels would need to be ‘market-tested’ with consumers. Once an acceptable user fee was agreed, the total fee income from consumers could be estimated. This would then allow for the remainder of costs to be shared between taxpayers and industry to be calculated.

Again, this reinforces the case for a central, governing and coordinating body to assess operational costs and setting the parameters for sharing costs.

CS5. How can the “generic” element of existing regulated advice processes be costed and its benefits quantified, including the process of customer engagement and the “fact-find”?

If the Review team is seeking to split out the costs of the various stages of the distribution chain then an economic model should be developed to quantify:

- product manufacturing costs (e.g. fund management charges);
- distribution costs (e.g. commission, advertising and other payments); and
- advice costs (including information gathering/ fact-finding).

The conversion rates (i.e. the number of potential client leads that result in product recommendations) would need to be factored in to arrive at a true picture of the economic efficiency of the existing distribution system.

It should be possible for the Review team to obtain data from industry on the various costs associated with each of these stages.

Regulatory costs will need to be factored in as well. The key question is whether regulation introduces unreasonable cost requirements (through additional processes or staff training requirements) over and above those firms would normally incur if they were acting professionally and treating customers fairly i.e. known as ‘incremental costs’.

It is reasonable to assume that firms which are well run will: ensure that staff are trained and competent to do their jobs properly; know what a customer's financial circumstances are, their preferences and attitudes to risk when offering quality advice; produce information that is fair and accurate; treat complaints fairly and hold their hands up when things go wrong. The FSA commissioned a report to attempt to identify the scale of the incremental costs in several sectors including retail investment and pensions advice (the Deloitte's study). While the incremental costs were indeed found to be higher in the retail sector, one of the main conclusions from the report was that ‘much of what regulation requires is, in fact, regarded by firms as good business practice.

So, any claims made by industry that it could deliver low cost generic advice but only if it is unregulated need to be treated with caution. It can be argued that regulation simply codifies what should be good practice in the market place. Any perceived cost savings from having unregulated generic advice could turn out to be as a result of

firms offering low quality advice. This would in practice mean that regulatory costs and risks are simply transferred to the consumer.

DS1. How can consumers be encouraged to improve their financial capability and take an active interest in their personal finances?

A combination of supply side and demand side reforms and initiatives are needed to improve financial capability in the UK.

The Government has pursued a number of supply-side reforms in an effort to improve the financial services market for the retail consumer. The NCC supports the Government view that these supply-side measures will be more effective if they are complemented by ‘demand-side’ initiatives to improve the financial capability of consumers.

If consumers are to be expected to take on greater individual responsibility for providing for the future then it is critical that they are equipped to engage effectively with the financial services industry. This means they need the confidence, capability, and access to information and advice to be able to plan for the future, make informed decisions, and review their plans.

No single initiative will improve capability or encourage greater engagement by consumers. It is clear there are major challenges ahead. The UK faces considerable legacy problems with regards to financial capability. It is critical, therefore, that the long-term strategy is sustained, well-resourced, co-coordinated and implemented effectively if we are to see major improvements in financial capability.

Details of the NCC’s proposals for ensuring that the long term strategy is effective can be found in our response to HMT’s Consultation - Financial Capability: the Government's Long-Term Approach.

Furthermore, although the Government has already introduced a number of supply-side reforms more needs to be done (including more effective regulatory interventions) to ensure that financial products and services are designed and delivered in a way that is makes them accessible, affordable, available and appropriate for the particular needs of consumers – particularly the financially excluded. Demand-side barriers must be recognised at the outset so that solutions are grounded in the customer’s experience and what will work for them. The current complexity of the retail financial services market undermines consumers’ ability to make informed and effective financial decisions. This in turn increases the need for financial education initiatives.

DS2. Are there campaigns that have effected analogous behavioural change relating to generic financial advice or other scenarios? What made them successful?

The review team should examine the work of the National Social Marketing Centre (NSMC) based at the NCC. Their work in behaviour change takes a real consumer-based approach. Social marketing can be applied to financial services.

Social marketing is an adaptable approach, increasingly used to achieve and sustain behaviour relevant to a range of social issues and topics.

Three key elements of social marketing are:

1. Its primary aim is to achieve a particular 'social good' (rather than commercial benefit) with specific behavioural goals clearly identified and targeted.
2. It is a systematic process phased to address short, medium and long-term issues.
3. It utilises a range of marketing techniques and approaches (a marketing mix). In the case of health-related social marketing, the 'social good' can be articulated in terms of achieving specific, achievable and manageable behaviour goals.

The following six features and concepts are key to understanding social marketing and you will see below that the NSMC has incorporated these into its 'customer triangle'



model.

Customer or consumer orientation A strong 'customer' orientation with importance attached to understanding where the customer is starting from, their knowledge, attitudes and beliefs, along with the social context in which they live and work.

Behaviour and behavioural goals Clear focus on understanding existing behaviour and key influences on it, alongside developing clear behavioural goals, which can be divided into actionable and measurable steps or stages, phased over time.

'Intervention mix' and 'marketing mix' Using a range (or 'mix') of different interventions or methods to achieve a particular behavioural goal. When used at the strategic level this is commonly referred to as the 'intervention mix', and when used operationally it is described as the 'marketing mix' or 'social marketing mix'

Audience segmentation Clarity of audience focus using 'audience segmentation' to target effectively

'Exchange' Use and application of the 'exchange' concept – understanding what is being expected of 'the customer', the 'real cost to them'.

'Competition' Use and application of the 'competition' concept – understanding factors that impact on the customer and that compete for their attention and time.

The NSMC particularly highlights the importance of the 'front end' scoping stage which needs to drive the whole process. The primary concern here is with establishing clear actionable and measurable behaviour goals to ensure focused development across the rest of the process.

The ultimate effectiveness and success of social marketing rests on whether it is possible to demonstrate direct impact on behaviour. It is this feature that sets it apart from other communication or awareness raising approaches, where the main focus is on highlighting information and helping people to understand it.

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

It is not possible to describe what an attractive 'brand' for generic financial advice would look like at this stage without proper market testing. Citizens Advice, NHS Direct, National Savings and Investments, the New Zealand Retirement Commission's 'Sorted' initiative or CLS Direct offer possible models for evaluation.

However, it is possible to suggest the features and attributes that would be important and attractive to consumers. Research conducted for Which? as part of its policy

paper proposing the idea for a National Financial Advice Network⁶ suggests that the following would be important:

- consumers shouldn't be pressurised into buying anything
- the service would be free of charge/ affordable
- it would be unbiased and not linked to the products of a particular company
- face to face advice available
- advice available locally
- advice would look at financial needs as a whole and take into account short term and long term needs
- services open after working hours
- supported by a telephone service

Therefore, the brand should aim to communicate those attributes.

DS4. Is there evidence on which engagement mechanism(s) is likely to work best overall and with different segments of the target population (e.g. which media, messages etc.)?

The research outlined above in question DS3 suggests that the key messages should relate to the independence, accessibility and affordability of the service. As discussed above, social marketing techniques would be effective in achieving this.

It is likely that a combination of media will be needed to engage with different groups – face to face advice, internet based services plus a telephone helpline.

For example, relying too heavily on internet based services excludes those without internet access and those without the skills or inclination to use the internet, particularly for such sensitive and complex issues. The Ofcom Consumer Panel published evidence detailing the acuteness of this problem for older consumers⁷. The research showed that 56 per cent of people aged 65+ voluntarily excluded themselves from take-up of the internet.

However, many consumers will be in a position to take personal control of financial planning and be willing to use the services on a self-help basis – this should also reduce costs.

A number of innovative solutions have been introduced which help consumers act autonomously – for example, the Consumer Credit Counselling Service's internet based Debt Remedy service. CCCS claim that 1,000 people a week are using the

⁶ Consumers' Association, National Financial Advice Network Policy Paper, May 2002

⁷ *Older people and communications technology*, Ofcom Consumer Panel, July 2006

http://www.ofcomconsumerpanel.org.uk/publications/Older_People_and_Comms_FINAL.pdf

service with most users completing counselling in a single session, averaging 23 minutes – only one user in six has needed to seek help from a CCCS employee over the phone.

However, for many consumers there is no substitute for the human touch to help them make sense of complex choices, make effective decisions, and learn about financial matters whether face to face or via a telephone service.

DS5. For face-to-face advice, are there particular locations that would be attractive generally for different segments of the target market?

Independent, third-sector community based advice agencies could be accessible and attractive for consumers on lower-medium incomes. However, it very much depends on branding which must avoid the perception that the national advice service is second rate, or ‘a poor person’s service’.

In terms of physical location, high streets or shopping centres are obvious places.

However, it is not possible to say what geographical locations are appropriate as a regional needs analysis would need to be undertaken.

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

Yes- if designed and delivered in the right way. Setting a specific behavioural change goal is key to achieving this. Defining target groups and what success looks like for specific groups is equally important, as it may not be the same for each group. For some consumers behaviour change may mean choosing not act, rather than acting and making a bad choice, and for others their behaviour change may not be specifically related to financial services. On a more basic level providing a generic advice service could potentially lead to a number of behavioural changes by consumers.

Consumers will be:

- in a position to plan more effectively for the future and manage finances;
- at lower risk of detriment such as misselling of unsuitable products as they will be better informed and supported;
- more confident and therefore more capable of making informed choices;
- more likely to engage willingly with the financial services industry.

ES1. What organisation(s) should be responsible for oversight of and/or delivery of a national generic financial advice service (e.g. national vs. regional oversight; existing vs. new body)?

For all the reasons outlined in response to question AS6, a central, governing and coordinating body along the lines of the Legal Services Commission/ Community Legal Service (CLS) structure to create and manage a branded, national advice service is needed.

The CLS has clear parallels with the aims of providing a national generic financial advice service.

An alternative governing structure could be that which oversees the running of the Citizens Advice network.

ES2. How should any generic financial advice service be made accountable (e.g. targets, performance management, reporting lines etc)?

If the new service was set up along the lines of the CLS, then this would be a non-departmental public body answering in all probability to HMT, with an agreed set of public performance targets relating to access, delivery, efficiency and awareness.

The governing body of Citizens Advice is a Trustee Board but it also operates broadly under similar rules and regulations to those governing executive Non Departmental Public Bodies (NDPBs) and, as such, it is subject to a comprehensive review every five years.

ES3. What should the relationship be between any new delivery body (assuming one is deemed necessary) and existing services?

A national advice service governing body could operate along similar lines to the Legal Services Commission/ CLS and would be responsible for:

- assessing needs, matching capacity to areas of need;
- planning and managing services (i.e. the network of accredited advice agencies plus telephone helpline, register of accredited agencies and specialist providers, referral service and website);
- coordinating funding and awarding contracts for participating service providers;
- overseeing accreditation/ training and competence of advisers;
- promoting awareness of the service.

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

Industry funding for the new service could come from a statutory levy similar to that which funds the FSA, while the governing body would be responsible for allocating funding to service providers.

-----ends-----