

Submission of evidence from Credit Action (CA) and the Consumer Credit Counselling Service (CCCS).



Covering note

Credit Action (CA) and the Consumer Credit Counselling Service (CCCS) are two separate charities who work closely alongside each other on issues of debt and personal finance. The term *sister charities* is frequently applied to this relationship.

CA is the national money education charity. Working across the UK through the production and dissemination of resources, the provision of training, lobbying and media work and through targeted projects, CA looks to equip people with the knowledge and skills they need to manage their money effectively. This work is funded primarily by donations and grants from corporate organisations, particularly in the financial services industry. CA is a small core of 7 staff with extra work being fulfilled by part time consultants and volunteers. It is split between two primary bases in Lincoln and Bloomsbury, Central London.

CCCS is the nations largest debt charity, employing over 650 people over 10% of all Britain's problem debt is now being handled by the CCCS. By providing debt counselling over the phone and now online through the *CCCS Debt Remedy* tool, CCCS was able to assist more than 300,000 people in 2006 including over 68,000 going through online counselling. The charity is able to offer advice and practical assistance where appropriate by the setting up of Debt Management Plans (DMPs). These are an informal arrangement where CCCS will negotiate an affordable plan to pay back all the debt with a clients creditors and then work with the client throughout the DMP. This service is free to the client but CCCS receive a percentage of the money repaid from the creditor as part of a 'fair share agreement'. This fair share is non-compulsory. It is also CCCS primary source of funding. CCCS is based in 10 centres around the UK but is headquartered in Leeds.

Together CA and CCCS work on a '*prevention and cure*' model. CA's money education work is intended to help people stay in control of their finances and thus avoid the problems of over indebtedness whilst CCCS provides support and practical, free and independent assistance for those who do get into difficulty. It is felt that the role of currently generic financial advice falls into the gap between these two organisations.

We would be grateful if this submission did not appear on the Thoresen Review website.

STRATEGIC ISSUES

A. What is happening today, how and to whom?

AS1. Currently we are aware of very few generic financial advice services in the UK. CA provide training for people on basic advice on money issues rather than financial advice. This equips people to work with others on financial issues and is provided across a range of public, private and third sector organisations. For example we provide the welfare staff within the Armed Forces with such training. We are stepping up the amount of such training we are offering due to increased demand.

The work which is done by Citizens Advice Bureau (CAB), Money Advice Trust (MAT), council benefits offices and so forth would seem to encompass something of a generic financial advice service. It would thus seem that primarily it is within the public and voluntary sectors that most such work is currently being done. Commercial services are more normally concerned with financial advice which is regulated and not generic, such as the work of Independent Financial Advisors (IFA) for example.

AS2. Currently the scope of such service is, whilst spread geographically across the United Kingdom, limited. The source of funding for most of the organisations above would seem to be government, particularly in the case of CAB and benefits offices. Constrains of scale are thus clearly prevalent around the level of government funding or, where government funding is not available, the scarcity of other resources – such as corporate funding in the case of CA – provides its own barriers. Governance issues and the legal basis of advice would need to be addressed on a case by case basis as it is unknown to us in most cases.

AS3. Currently the most appropriate way of describing generic financial advice provision in the UK, in terms of availability, quality and scale, would be ‘limited.’

AS4 & AS5. Unknown

AS6. It is our opinion that the current infrastructure for delivering generic financial advice would struggle to expand to deliver the kind of advice envisaged by the review. However there may be structures currently being employed in other areas of advice provision which could be adapted to successfully deliver the aims of the review. For example recent advances which have been made in the delivery of remedial debt advice through the internet. This would seem to offer an excellent potential model for the provision of generic financial advice. We are thus not of the opinion that the review is chasing an impossible dream.

B. What should the scope of a national approach to generic financial advice be?

BS1. Generic financial advice should aim to serve as broad a spectrum of society as possible but particularly those who currently are excluded from other forms of financial advice – this in practice applies to those who earn a below average wage. The ability of others to receive paid for independent financial advice and other private

banking services would seem to reduce the need for them to receive such advice. However it should not prove necessary to deliberately exclude or steer such people away from the service.

BS2. See answer to BS1.

BS3. The target market could be effectively reached through employer based information schemes, council and national government information schemes and media awareness raising. Referrals from financial services providers, existing advice and voluntary agencies as well as other consumer rights organisations would also provide opportunities for reaching the target market.

BS4. Generic financial advice, if it to be of use to people, should cover a broad range of personal finance issues. Within this it would seem essential to include advice on; savings, pensions, borrowing and credit options, insurance, current accounts, family finance provision (including Child Trust Funds and student finance).

BS5. It would be our feeling that the line should be drawn at the point of recommending a distinct course of action including particular products and providers. Generic financial advice should stop at the point where specific products or services are recommended above others. Such a service may want to include a comparative service for clients however it should be left to regulated advice to steer people in such a specific direction.

BS6. See BS3.

BS7. It should be possible to refer people to comparative services including regulated advice if this is appropriate. There should be caution about referring people to a commercial provider.

BS8. It is our opinion that as the primary, potentially sole, media on which generic financial advice could be conveyed is through the internet, that the need for qualifications and training for advisors is in fact, minimal.

BS9. It must be possible to show that the advice given is accurate and clear. However where the advice is non-specific in product terms it should be clear that any action taken following the advice is accountable for by the client.

BS10. There may be some fall off in the demand experienced by current advice providers, especially IFAs, however there may be other areas, for CABs for example, in which this frees up valuable capacity to be used meeting other pressing needs.

C. Cost and funding

CS1. The aim should be to ensure that generic financial advice is entirely free at the point of delivery.

CS2. Unknown.

CS3. It is extremely difficult to quantify the benefits of such a service in one simple measure. However, the FSA Baseline Survey into Financial Literacy has demonstrated a distinct lack of understanding in the UK of personal finance issues and the figures on personal insolvency, debt advice provision and measures such as home repossession appear to indicate the ongoing struggles of people to manage their money as well as should be desired. The impact of any service over time on quantifiable measures such as these could give a clear indication of the benefits of such a service.

CS4. Assuming that by ‘stakeholders who will benefit from the service’ we mean clients receiving advice then the crucial factor, were there to be any cost involved, should be ability to pay.

CS5. The best current example of this is the CCCS Debt Remedy service. This allows generic advice to be given on debt related issues at low cost. Quantifying the benefits of such a service, of the ‘generic’ advice in particular, is extremely difficult and can only seemingly be achieved by measuring a change in the clients behaviour. Following this up is a difficult and expensive process.

D. How can potential users be engaged?

DS1. It is apparent that currently the most common cause of consumers taking an active interest in their personal finances is when there is a difficulty with their personal finances! However people can be encouraged to engage with financial capability issues at key life stage (such as university, marriage, buying a house, having children, retirement) and also where it can be shown that it would be of particular financial benefit to do so.

DS2. The recent campaign to encourage people to reclaim unfair bank charges has been a clear example of a way in which generic financial advice has captured the public imagination and led to a large number of people making a behavioural decision. It should be recognised that this is not necessarily a behavioural change but a one off action. The fact that people have a sceptical attitude toward banks and also that there is a clear and direct financial gain to the individuals involved, are crucial in the success of this campaign.

DS3. An attractive brand would have to be simple, recognisable and very clear in its independence. Clear independence from any commercial organisation and it might also be ventured that independence from government would want to be communicated by the branding.

DS4. There is evidence from the impact of internet based advice services and their overall success that online is likely to offer the best potential for engaging with as broad a sweep of the population as possible. It is true that face-to-face advice is particularly popular with low income segments of the population and this should also be considered however the very high cost of this provision would make it far less desirable as an option.

DS5. In the case of face-to-face advice it is crucial that any locations are easily accessible to target groups in the population. Given that face-to-face advice is most

popular with lower income groups who are also likely to have more limited mobility than other segments of society it is crucial that any centre would need to be located in the midst of population centres for ease of access. The model of Citizens Advice seems to present a useful example of this.

DS6. There would likely be some change in consumer behaviour although it would be difficult to determine exactly how this would occur or how it could be measured. Numerous small changes in behaviour are more likely to result from such a service than widespread large shifts in people's behaviour. However the cumulative effect of small changes (i.e. taking out a different mortgage, starting a pension 5 years earlier, putting an extra £50 a month in savings, not taking out an extra credit card) could easily add up to a substantial impact.

E. What should the governance arrangements look like?

ES1. An independent organisation should have responsibility for the oversight and delivery of such a service. Government and industry involvement – other than at the point of funding – would seem undesirable. A national service would be preferable although we are not convinced as to whether an existing or new body would be best placed to deliver on this.

ES2. Quality rather than quantity should be priority of any such service and therefore it is the management of the quality of the advice which is crucial. Ensuring a number of stakeholders are involved in monitoring this through a 'generic advice content panel' is important. There should also be reporting to a body with expertise in this area but not undertaking a regulatory role. Whether an organisation such as the FSA or OFT would be able to fulfil such a role is uncertain however.

ES3. Existing services should be able to input into the new delivery body as key stakeholders in this area. Places on the 'generic advice content panel' for example for appear to give an opportunity for this kind of involvement.

ES4. Any money for a generic financial advice service should be ring-fenced into a fund, or, if a new, independent delivery body is set up (potentially as a registered charity) then the money could be accounted for in that way.

OPERATIONAL ISSUES

Here it was hoped that the Consumer Credit Counselling Service (CCCS) would be able to report on the operational issues surrounding both the operation of their help lines and also the formative results of their new CCCS Debt Remedy service – which we see as the ideal model for the generic financial advice service. Unfortunately, due to time constraints, this has not been possible. However we would be happy to appear and give evidence on this matter as the taskforce proceeds.