Thoresen Review of generic financial advice: final report

March 2008

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Foreword

Dear Yvette,

In January 2007, Ed Balls, then Economic Secretary to the Treasury, asked me to review how best to deliver a national approach to generic financial advice. I am now delighted to provide you with my final report.

I embarked on this Review believing in the benefits of generic financial advice, but with an open mind on how it might be delivered. After extensive research and consultation, I am now convinced that this is a service that is needed, wanted and that it can be delivered.

It is needed because quite simply there is a gap in the provision of impartial information and guidance on money matters. Millions of people could benefit from this service. There will be no such thing as a 'typical user' – people have told me that even straightforward things, an explanation of interest rates, or other jargon, can help them focus on their finances and take action.

I have been asked over and over again during the course of the Review "What is generic financial advice?". Put simply, it's guidance on the money matters that shape people's lives: budgeting weekly or monthly; saving and borrowing; protecting and insuring the individual and the family; and retirement planning. But it is clear that consumers want more than that, they also want to understand tax and benefits better and, sometimes, need technical financial language demystified – "jargon busting".

I envisage that money guidance will be 'multi-channel', available through the web, telephone and face-to-face. I believe it will be important that the face-to-face guidance is available through trusted local sources, as it will most likely appeal to the least financially confident.

I believe that good money sense needs to be as much part of people's lives in the twenty first century as healthy eating and keeping fit. So we need a term for the service that resonates with what people have said they want (and do not want). I have called it "Money Guidance": "Guidance" because "generic advice" means nothing to most people. "Money" because "financial" is for many people a word that screams out "nothing to do with me". This is not a brand suggestion, just a working description that I hope will make sense to all stakeholders.

In my interim report last October I set out some principles for the service. The service needs to be impartial and on the user's side; available to all; preventative rather than just for those in crisis; supportive and coaching in style; and delivered in an environment not linked directly to a product sale. Further consumer research confirms this is what people want. These are the fundamental ingredients of the Money Guidance service: they are essential if it is to gain the trust and confidence of the UK population.

But what of the benefits of Money Guidance? The cost-benefit analysis indicates there are substantial benefits to users of the service, to the financial services industry and the Government. For consumers, doing the right thing with money will be easier because they will understand their options and be able to approach the industry on a more equal footing. They stand to gain from better prices, better understanding of income and outgoings, and debts that are under control rather than out of control. Making the right financial decisions means that more people will enjoy the financial security and independence of having saved and having protected themselves and their families from the unexpected events in life that can tip almost any of us into financial crisis.

The financial services industry will benefit from more product sales at lower cost, more persistent savers, borrowers who are less likely to default and greater public confidence. A better understood industry. An industry whose services are valued by consumers.

The Government will benefit through a reduction over time in benefit payments, increased tax receipts and a better understood tax system. There are also potential spin-off benefits, for example a reduction in the ill-health caused by money worries, and less need to spend on crisis intervention as fewer people will be in serious debt.

Money Guidance will provide a system that complements financial education initiatives, supporting those who have not had the benefit of financial education, and keeping those who have, up to date.

My conclusions are in large part driven by the analysis of two "prototypes", which I used to test elements of delivery. The services provided by the prototypes were – as far as I know – a world first for multi-channel money guidance. They provided lots of excellent insights but in the end, they were a product of their designed-in limitations, in particular, what could be achieved in 12 short weeks.

My key recommendation is that a pathfinder should be set up as soon as possible. This would test the hypothesis I have developed about delivery through partnership, the scope of the service and how to engage people. I believe this pathfinder could take between 18 and 24 months to complete, and cost around £10 million to £12 million, which I believe should be split between Government and the financial services industry.

I believe that Money Guidance can be delivered most cost effectively in partnership with existing service providers. The third sector has responded enthusiastically to the review – they are eager to see progress. I envisage a central organisation, setting policy and strategic goals for the service, managing relationships and working with delivery partners. With a network of partners and referral agencies delivering Money Guidance locally face-to-face, over the telephone, through the web and as technology evolves, through other media. And I envisage a bigger network of intermediaries, people trusted by local communities, who would be able to ensure that those who would benefit most have access to the service.

After a year working on this review, I now passionately believe that a service that provides impartial Money Guidance is badly needed. Recent newspaper headlines tell us this is the case:

- billions of pounds of movement in share values affecting the solvency of pension funds
- high levels of consumer debt challenging household budgets
- storm and flood damage creating unexpected strains on families already finding it hard to balance their income against their outgoings.

Looking ahead, as people live longer and with increased personal responsibility, they will have to rely increasingly on themselves to provide for their futures. A national Money Guidance service can only become more vital in any strategy for improved financial capability.

Otto Thoresen

Acknowledgements

I would like to personally thank my whole team for all their hard work on what has been a stimulating but demanding Review. Ted Hart, Gill Taylor, Jacqui Clachan, Mike Pink, Warren Davis, Karen Martin and Jay Amarasena have given me great support, and have also engaged with enthusiasm on gathering and interpreting the evidence and stakeholder input which has informed our proposals.

My special thanks go to the team leader Ted Hart. Ted has driven the project forward with great skill, guiding me through the challenges of what was new ground for me, and bringing the best out of the team to produce our recommendations.

My Reference Group have proved their worth throughout the Review process, bringing their diverse insight and expertise to bear wherever we needed guidance and direction – to them my thanks.

And finally, to all those from the third sector and the financial services industry who are already involved in the countless initiatives to deliver progress in this important area, my thanks for your efforts and your time in helping shape this final report.

Otto Thoresen

Executive summary

INTRODUCTION

E.1 This report builds on the interim report published in October 2007,[1] and is based on the evidence, research and analysis undertaken throughout the Review. Here, the Review sets out its final recommendations on designing a national approach to deliver "Money Guidance", formerly described as generic financial advice (GFA).[2] The recommendations provide a high-level blueprint for delivering a national service to the UK population. This report also sets out the next steps necessary to make the blueprint a reality – we refer to this as a "**pathfinder**". The recommendations and the pathfinder set out in detail how to turn this exciting policy into a fully operational service.

THE REVIEW'S APPROACH

E.2 The Terms of Reference of the Review, set by HM Treasury, were as follows:

Thoresen Review: Terms of Reference

To determine a range of models for achieving greater access to generic financial advice on a national scale, taking account of future developments in financial services markets and, in particular, personal accounts. To include recommendations on:

- the most effective way of serving different groups of consumers, ensuring effective targeting of those most vulnerable to the consequences of poor financial decision-making, including a telephone-based point of contact and the potential for additional face-to-face services;
- protocols for advice, acceptable to industry, the regulator and the third sector;
- accreditation, quality control and the boundary with regulated advice;
- branding, marketing and supporting demand through the development of an appropriate advertising campaign;
- overall costs and assessing long-term benefits;
- options for funding that reflect the benefits to all stakeholders of increasing financial capability over the long-term; and
- institutional arrangements and governance.

Source: Financial Capability: the Government's long-term approach, HM Treasury, January 2007.

[1] *Thoresen Review of Generic Financial Advice: Interim Report – October 2007*. Available from http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm

[2] The Review believes that "Money Guidance" is a better descriptor of what the service is, and is keen to emphasise this is not the external brand name for the service.

THE EVIDENCE BASE

E.3 Building on the evidence described in the interim report, we have undertaken a further period of extensive engagement, analysis and research. Most notably, the Review has completed and fully evaluated the prototype Money Guidance services, which ran from September to December 2007. An overview of the evidence base is provided in Chapter 1.[3] This report builds on that evidence and analysis to set out how to deliver an effective and efficient Money Guidance service.

THE PRINCIPLES OF A NATIONAL SERVICE

E.4 **The Review recommends that to build trust, user advocacy and sustainability, the Government should ensure the following principles are at the core of the Money Guidance service.** They should be the focus of the user proposition, and are key to the ethos and brand of the service:

1. "On my side": impartial from the Government and the financial services industry (FSI).
2. Supportive: support and guide individuals to help them to make better decisions, take action and change their behaviour so as to make positive steps towards improving their finances.
3. Preventative: the service is not designed for those in crisis. The service should help people budget and plan for both today and the future, to be able to withstand financial shocks, to avoid crisis and to fulfil their aspirations. People who are in crisis may contact the service and they should be referred to the organisations best able to assist them.
4. Universal: available to all. Certainly in the medium term, the service should also be free to the user.
5. Sales free: The service is not a product sales channel. It cannot recommend a product from a specific provider or that the user varies or disposes of an existing product – this is what regulated advice does. Buying a product or taking commercial advice will be the right solution for many individuals, and so the service needs to refer users to the FSI effectively, in line with the other principles. This could include explaining to the user the different types of services available from the FSI, particularly the types of adviser in the marketplace.

[3] The evidence and research undertaken is available from http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm and includes those responses to the Call for Evidence and interim report that we are able to publish.

THE BENEFITS OF A NATIONAL SERVICE

E.5 The aim of Money Guidance is to change the way people engage with, and manage, their financial affairs. It will be a key tool to improve levels of financial capability in the UK. Cost-benefit analysis (CBA) shows that a Money Guidance service which changes the behaviour of even a small proportion of those who could benefit most would deliver significant benefits.[4] In net present value (NPV) terms to 2060[5] the *quantifiable*[6] benefits of Money Guidance are estimated to be:

- over £15 billion (net) for users;
- for the financial services industry, quantifiable benefits are in the range £3,612 million to £5,514 million, while quantifiable costs are in the range £390 million to £832 million;
- for the UK Government, quantifiable benefits in the range £4,650 million to £6,000 million NPV, while quantifiable costs are in the range £390 million to £839 million;
- for society as a whole, quantifiable benefits of £344 million.

Realising benefits

E.6 The Review believes that this confirms the correctness of the early presumption that the question for this Review to address was "how" not "if". However, to realise the benefits of Money Guidance, people must, over time, change their habits and behaviour. Chapter 2 sets out key user outcomes of using a Money Guidance service, linked to financial capability, and the Review believes that long-term success must be measured by the actions taken by the users of Money Guidance.

E.7 To be successful, the service needs to attract people to use it and then prompt them to act on the guidance they receive. A Money Guidance service is something the population appears to want – there is latent demand. In total, 75 per cent of survey respondents said they were likely to use a "national information and guidance service for personal finance issues" and of these, over 25 per cent felt they would be very likely to use a service of this kind. The Review's research also indicates that an effective Money Guidance service can drive behaviour change. Eight out of ten users of the prototype services surveyed went on to take at least one action within a week or so of using the service. Of these, over half took specific action such as buying a new product or speaking to a regulated adviser.[7]

[4] Full details of the methodology and assumptions used to calculate the benefits are given in Annex 4, which reproduces the full text of the CBA. Although the CBA is indicative, it clearly shows that benefits outweigh costs for all groups.

[5] I.e. the cumulative discounted value of costs or benefits over the period 2009 to 2060, expressed in 2008 prices.

[6] There are additional unquantifiable costs and benefits, but none of these effects appears likely to disturb the overall conclusion that the benefits of a Money Guidance service would significantly outweigh the costs for all stakeholders. These are explained in detail in the full CBA reproduced in Annex 4.

[7] See Annex 1 – *Evaluating of the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

The qualitative responses to our prototypes support both of these findings:

> "When they explained all the things they did … I was like, where have you people been hiding, this information should have been available to us a long time ago!" **Male; 20s, London, F2F prototype user**[8]
>
> "What she gave me was the confidence… It was like Yes! I know what I'm talking about and I felt really comfortable… I was like, maybe there are other bank accounts I can check ... so I opened another one, it was online banking, which I'd never used before… it's with the same bank but obviously there was a difference with regards to interest, so I'm actually better off. I know it's just a few percent, but still a few percent… is your lunch, your travel" **Female; 20s; London; F2F user**[9]

E.8 The Review recognises that the small-scale prototype services were not testing an end-to-end service. However, the fact that even a limited service elicited such a positive reaction, and seems to have started to change behaviour, encourages the Review to believe that realising the benefits is possible.

THE NATIONAL MONEY GUIDANCE SERVICE

Scope and content of Money Guidance

E.9 Money Guidance is about equipping users with the tools, knowledge and confidence to make better decisions about their finances while giving them clear guidance on what to do next. **The Review recommends that the service needs to deliver information and guidance on:**

- **budgeting weekly or monthly spending;**
- **saving and borrowing;**
- **protecting and insuring the individual and the family;**
- **retirement planning;**
- **understanding tax and welfare benefits better;**
- **translating technical financial language into something that people understand – "jargon busting".**

E.10 In practice, each user will have different needs. Some will want a specific question answered, while others will benefit from a holistic service, covering a wide range of their financial wants and needs. The service should be able to:

- help people work out how to budget better, and where to save money, so that they can afford to put money aside for a rainy day or for retirement;
- encourage people who are currently in reasonable financial health, but who would struggle if something unexpected happened, to consider their insurance and protection needs;
- advise and reassure people about the deposit protection that is available, should their bank or building society get into difficulty.

[8] See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.
[9] See Annex 1 – *Evaluating of the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

Regulatory boundary

E.11 To meet these principles, the Review believes that the Money Guidance service cannot recommend a specific product from a specific provider. The prototypes suggest that it is possible to provide Money Guidance outside Financial Services Authority (FSA) and Consumer Credit Act regulation which will still prompt the majority of users to take action.

E.12 **The Review recommends that the pathfinder build on the protocols the Review has developed (published alongside this report at Annex 3) and utilise the full depth of Money Guidance, as described below:**

The boundary of the Money Guidance service

Money Guidance will provide information and guidance to people on a range of financial topics, from jargon busting to long-term saving. "Generalist" accredited partners will provide guidance on a full range of Money Guidance topics to a consistent level; "specialist" accredited partners provide in-depth Money Guidance on a specific topic such as pensions.[10]

Money Guidance will guide the user to the point where they can chose between a small number of options, and where they also understand the consequences of doing nothing.

Money Guidance will refer individuals to external services, whether in the financial services sector, Government or the third sector, depending on the needs of the individual. This includes referring people to regulated advisers or a crisis debt agency.

Money Guidance will not make recommendations to buy, surrender or change a specific product from a specific provider.

E.13 The Review believes it important to monitor the scope of the Money Guidance service as the pathfinder progresses to ensure it meets the needs of the majority of users and prompts action.

Training

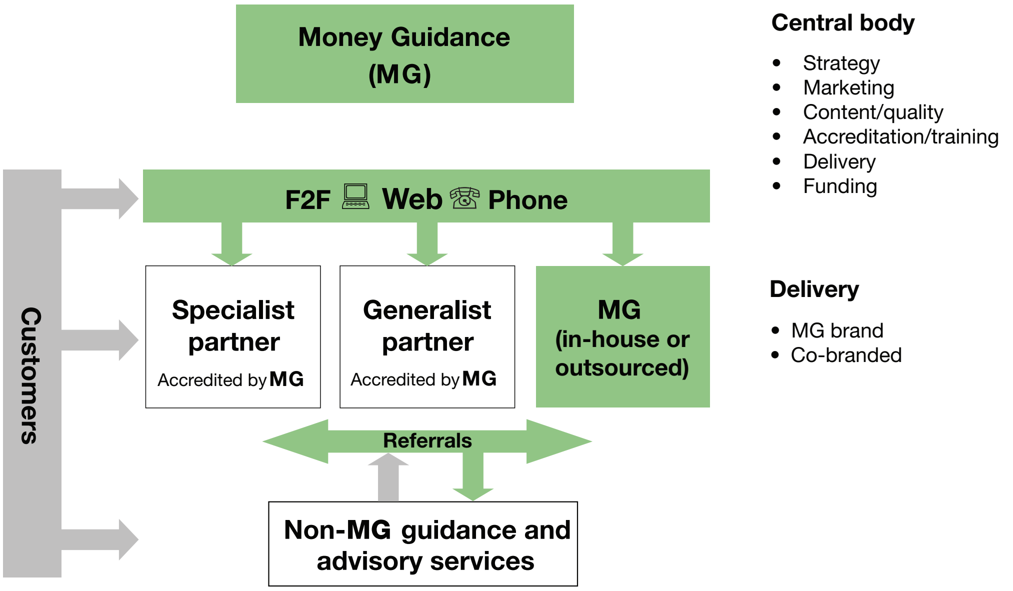
E.14 Those delivering Money Guidance need to have a combination of technical knowledge and "soft" skills if they are to deliver a professional and friendly service. They should be trained and assessed on their technical knowledge before delivering Money Guidance. This should not be onerous and the Review does not believe that a new qualification is required. The pathfinder should develop a recruitment and training framework.

Service model

E.15 Encouraging action requires a highly effective, efficient and professional service. **The Review recommends that a partnership model is the most appropriate way of delivering this vision for Money Guidance.**

[10] The different types of accredited partners are discussed in Chapter 4.

Figure E.1: Money Guidance – operating model



Note: "Money Guidance" (MG) is not the brand but is used for illustrative purposes

E.16 Figure E.1 sets out the structure of the Money Guidance service and its component parts. The remainder of this section sets out the Review's vision for this delivery model.

The central body

E.17 The Review believes that the central body should be responsible for the overall strategy of the Money Guidance service. The strategy should include:

- marketing to, and engaging with, the UK population, including developing a brand for the service;
- determining the scope, content and quality (including quality control, monitoring and evaluation);
- managing the funding;
- working with and accrediting partners to deliver Money Guidance;
- providing training for partners where necessary; and
- support functions.

Delivering services to the user

E.18 The Review believes that Money Guidance should not replicate existing good practice, described in the interim report, but rather build on and work with existing services. It will be important for the central body to work with a range of partners, at both a strategic and delivery level, to ensure that the service is effective and consistent.

Types of partner

E.19 A "generalist partner" would offer Money Guidance on a range of issues. A "specialist partner" would deal with one specific area. The Pensions Advisory Service (TPAS) and TaxAid are examples of potential specialist partners. Partners would be accredited by the central body and would need to meet common standards. Both of these types of partners could be co-branded, using their own brand alongside the Money Guidance brand. The central body may also want to run delivery offerings itself (whether through employing staff or resources itself or through outsourcing to third parties). People would still be able to contact accredited generalist and specialist partners directly.

E.20 In addition, the Review is aware that many partners can offer a multi-channel approach, and it would be for the central body to work with partners to establish how best to deliver services, and through which channels.

Referrals

E.21 The Money Guidance service will also need to refer users to services that are outside its scope, for example organisations dealing with debt crisis management. Referrals may also be made to the commercial advisory sector and other parts of the FSI but should not be to a specific provider.

Commercial partners

E.22 The Review is also aware that commercial providers or commercial outlets, including the FSI, may wish to deliver Money Guidance. Many Money Guidance-like offerings are already delivered by the FSI, for example the Royal Bank of Scotland's "MoneySense" and Norwich Union/AVIVA's "Six-Steps". At the same time, the Review is clear that people want a service that is impartial. The Review concludes that the Government should further test whether impartial guidance can be provided through or with commercial outlets as part of the pathfinder. Clearly, nothing in this report precludes existing activity in this area continuing after the creation of the Money Guidance service.

E.23 **The Review recommends Money Guidance should be delivered through a multi-channel approach – comprising a telephone, face-to-face (F2F) and web-based service.** A mix of channels will enable a universal service, one which appeals to different people and is easy to access. For example, an online-only service would not fully engage all the estimated 19 million people who could benefit the most from Money Guidance, 48 per cent of whom do not have access to the internet at home (although they may have other ways or places to access it).[11]

E.24 The Review also recognises that, over time, other delivery media will become popular. Interactive television, podcasting and text messaging are all examples of media that could be used to deliver Money Guidance. The Review therefore believes the service needs to be alert to the opportunities of new technology to find as many ways to interact with users as possible.

[11] However, the Review recognises that, over time, the web is likely to become more accessible and more people may want to access the service online.

Engaging users of the Money Guidance service

E.25 The Review believes that engaging users is the most challenging and most important work that the service needs to undertake. This means fully understanding the estimated 19 million individuals the Review believes could benefit most from Money Guidance. This is why the Review commissioned research by Experian to create pen portraits of these individuals and to map where they live.[12] This has deepened the Review's understanding of users by providing insight into their lives, their preferred communication methods and their use of technology. This information will be extremely valuable as the next phase of development is undertaken.

Brand E.26 The Review has not created the brand for Money Guidance, **but recommends that the Government ensures a new brand is designed which encapsulates the principles of the service, most notably that the service is "on my side" and is "sales free".** This is a preventative service filling a gap – and, as such, needs a brand which meets and conveys its principles. Clearly, accredited partners may wish to co-brand with their existing brand, which would be sensible both to support and to build trust in the Money Guidance service.[13]

Engagement E.27 It will be crucial to use a range of approaches to engage with users. The Review believes that working through trusted intermediaries will be an especially important component of an engagement strategy, for example promoting or delivering Money Guidance in the workplace. The service should promote good habits as well as raising awareness of the service and how it could help. An effective engagement strategy will ensure that everybody from the most vulnerable members of society through to the better off believe that the service is for them and that it engages with them in a suitable way. Importantly, the Review believes that if the service is purely targeted at the most vulnerable, they will not want to make use of it.[14]

E.28 **The Review recommends that the Government build a marketing strategy which is multifaceted to appeal to the different groups the service needs to reach.** The Review suggests that the strategy encompasses:

- national and regional marketing campaigns and engagement activities;
- trusted intermediaries; and
- social networks and viral marketing.

DELIVERING THE FUNCTIONS OF THE CENTRAL BODY

E.29 The Review has gathered evidence on options about who should be responsible for the delivery of Money Guidance. The Review considered the creation of a new public body, but felt that it would be more efficient to build on existing infrastructure.

[12] Annex 7 – *Mapping generic financial advice*, Experian.

[13] Co-branding is discussed further in Chapter 4.

[14] The Review recognises that the Government is undertaking work to promote and increase financial inclusion which has a different scope and remit. In *Financial Inclusion: an action plan for 2008–11*, published by the Government in December 2006, it explained how it will broaden and build on its programme to date.

E.30 On balance, **the Review recommends that the FSA should take forward Money Guidance in the short to medium term** as it:

- meets the principles that the Review has set out for the service and is independent from the FSI and the Government;
- is recognised as being a world leader in financial capability, and has invested heavily in building capability through its leadership of the National Strategy for Financial Capability;[15]
- has expertise in working in partnership with other organisations to deliver the financial capability initiatives;
- has some experience of engaging with the UK population through the MoneyMadeClear website, information campaigns and provision of information and guidance direct to the population;
- has a mechanism and approach to levying organisations that is regarded as robust and trusted.

E.31 The Review notes the benefits of integrating Money Guidance with the National Strategy, both in terms of the potential synergies and to help ensure that a coherent and consistent message is given to the UK population.

E.32 The Government should work with the FSA to establish governance arrangements that.[16]

- provide a sustainable and fair funding base for the service;
- allow an appropriate brand to be created and consumer tested;
- ensure an executive function exists with the necessary strategic and delivery skills;
- provide strong accountability for the service's funds;
- take account of the FSA's current statutory framework; and
- ensure sufficient resources are in place to deliver the outcomes.

E.33 The Review believes the Government should make a final decision on the role of the FSA once the above issues have been resolved satisfactorily and the outcome of the pathfinder is clear, and should keep this under review.

FUNDING THE SERVICE

E.34 **The Review recommends that the costs of providing the service should be split equally between Government and the FSI.** Our analysis on costs and benefits, as well as our consumer research, provides evidence to suggest that our initial assumption of an equal split is right. It is practical and reflects the long-term distribution of the benefits. In addition, **the Review recommends that a levy is the most fair, transparent and sustainable way of securing the industry's share of funding the Money Guidance service. The Review also recommends that it should include a broad base of financial services institutions, comprising:**

- **firms regulated by the FSA, which already pay towards financial capability;**

[15] *The Financial Services Authority: A Review Under Section 12 of the Financial Services and Markets Act*, The National Audit Office, April 2007, p. 51.
[16] Governance of the pathfinder is discussed in Chapter 8

- **consumer credit firms regulated by the Office of Fair Trading (OFT); and**
- **National Savings and Investments (NS&I).**

E.35 The Review has assessed existing levies against principles of fairness, practicality, stability and simplicity and concludes that the FSA levy provides a good mechanism for raising funds for Money Guidance from the firms it regulates, but that the OFT levy does not. For these reasons, the Review is not in a position to set out the percentage that each constituent should contribute. The Review believes that the Government should explore options to collect a fair contribution from OFT-regulated firms and NS&I. The Review also concludes that the FSA levy is a suitable mechanism for collecting funds from FSA-authorised firms, and that the FSA may be able to collect funds raised via other levies.

E.36 Developments in pensions markets create challenges relating to both the demand for and thus the funding of the Money Guidance service. This is especially relevant in relation to how one treats occupational pension schemes (OPS). OPS are created solely for the benefit of their members: the employees. The Review believes that these members should not be asked to fund the service directly. However, the investment managers who manage the OPS' assets should contribute as part of the FSA-regulated financial services sector. Where the OPS is administered by a life company, the life company would similarly contribute through the FSA levy.

E.37 The Government has stated its intention that Personal Accounts should be an occupational pension scheme. However, at the time of publication the legislation to establish Personal Accounts was still being debated by Parliament. Moreover, the final delivery model for Personal Accounts is yet to be determined, in particular it is not known whether the support services, such as administration, will be delivered by firms regulated by the FSA or not. The Review cannot therefore reach any conclusions about levying Personal Accounts, but the 'fairness' principle would suggest that there should be a level playing field between Personal Accounts and analogous schemes in the marketplace.

The cost of the service

E.38 As part of the Review's terms of reference we have examined the potential costs of delivering a Money Guidance service. As illustrated in table E.1, based on research commissioned by the Review,[17] we conclude that the potential cost of a Money Guidance service on the service delivery model described above, serving 4 million users a year, would be around £49 million a year (2008 prices).[18] Alternative high and low case scenarios suggest an estimated cost range of around £36 million to around £64 million in 2008 prices. This translates into net present values (NPV) of between £779 million and £1,165 million for the period to 2060.

[17] See Annex 4, Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches, Deloitte and Annex 5, Geared For Action – Developing the generic financial advice service, The National Social Marketing Centre.

[18] The CBA costings assume the service rolls out gradually starting in 2009 and reaches steady state in 2013.

Table E.1: Summary of possible costs of a Money Guidance service over time

	Year 1[19]	Year 2	Year 3	Year 4	Year 5[20]	Year 12	NPV 2009–2060[21]
Base case: £ million	28.8	39.6	48.7	54.2	48.9	41.4	1,135
High case: £ million	35.9	43.5	56	67.9	63.9	56.5	1,665
Low case: £ million	19.7	25.6	32.3	38.4	35.8	29.6	779

E.39 The base case assumes an initial channel mix of 45 per cent online, 35 per cent telephone, and 20 per cent F2F. It also assumes that the proportion of users accessing Money Guidance online rises to 65 per cent by 2020, with telephone and face-to-face falling back to 25 per cent and 10 per cent respectively. Experience gained from the prototypes suggests that these are conservative assumptions.[22] The pathfinder will help the Government to validate these illustrative cost ranges.

E.40 Estimates built up in this way, however robust, can still only be illustrative. Nevertheless, they are a good indication of what a service would cost if a number of key variables, notably channel mix and level of use, are set at a certain point. The analysis supports the conclusion that, even on the high cost scenario, the likely costs of delivering a national Money Guidance service are in a range similar to that suggested in our interim report, and that these costs are significantly outweighed by the benefits described in Chapter 2 for all stakeholders.

EXTERNAL CONSIDERATIONS

E.41 The Review is aware that various policy initiatives, notably the FSA's Retail Distribution Review (RDR) and Pensions Reform, will change the financial services marketplace, thus impacting on the Money Guidance service.

The Retail Distribution Review (RDR)

E.42 The Review has liaised closely with the RDR team and recognises it will be important to make the outcomes of the two Reviews as joined up as possible, avoiding duplication and additional cost. Money Guidance is a demand side initiative – part of the wider effort to improve the financial capability of the UK population. The RDR is aimed at making the FSA-regulated market more effective and efficient for both firms and their customers, aimed at raising the quality and expanding the reach of FSA-regulated distribution. However, the Review is keen to emphasise that Money Guidance is not a prerequisite for FSA-regulated advice. It will be important for Money Guidance to articulate clearly what regulated services exist, what the different types of advisers are, and how users can go about accessing them. The Review hopes that its high-level blueprint will be useful for shaping and furthering the RDR's policy development.

[19] CBA assumes that Year 1 is 2009.

[20] Costs fall from Year 5 on the removal of the element for set-up costs and on the assumption of an increasing shift to internet as the main delivery channel.

[21] NPV means here the cumulative discounted value of costs or benefits over the period 2009 to 2060 expressed in 2008 prices.

[22] The CBA assume that 10 per cent will act fully on Money Guidance, which the Review believes is a cautious estimate. In addition, the CBA assumes lower levels of web use than the Review might expect.

Pensions reform

E.43 In line with the interim report, the Review has concluded that questions directed to the Money Guidance service, prompted by auto-enrolment in general, or Personal Accounts, will not raise fundamentally different issues to those that could already arise in the context of retirement planning. As a result, the Review does not believe that it would be sensible to separate out a "Personal Account" element of any engagement that touches on saving for retirement. Furthermore, special treatment of Personal Accounts would undermine the Money Guidance service's impartiality. More generally, queries relating to pensions reform that are directed to the Money Guidance service will depend on the effectiveness of the information strategy that is put in place by the Government.

TAKING MONEY GUIDANCE FORWARD – NEXT STEPS

E.44 The work of the Review provides a high-level blueprint, the architecture, to deliver a national Money Guidance service. The benefits and need for the service are clear. Throughout this report the Review makes a number of recommendations as to how Money Guidance should be delivered. These recommendations combined create the hypothesis that should be validated before rolling out the service nationally. **The Review therefore recommends that the Government should set up a pathfinder, as soon as it has had the opportunity to consider this report.**

E.45 The Review is aware that it would take some time to set up a fully-fledged service, with funding from across the financial services industry. But the need for Money Guidance is urgent, and it is crucial that the momentum created by this Review is not lost. The Review suggests that the pathfinder is funded equally by the Government and the FSA. The Review recognises that this would lead to the FSA-regulated community and the Government funding the pathfinder up-front, but lost time now will mean lost synergies and higher costs later, and reduced benefits to the UK population. In addition, the upfront investment now should be transferable to the full national service including, for example, the brand, training and protocols so long as the pathfinder is given clear and measurable objectives and targets. The Review therefore suggests that the upfront investment by FSA firms and Government is fully recognised in future years as other funding comes onstream.

E.46 Chapter 8 outlines the key components of the pathfinder, the Review estimates that the cost will be in the region of £10 million to £12 million and should be targeted to reach approximately 500,000 to 750,000 people. Based on its experience, the Review believes that a pathfinder should last 18 to 24 months. Depending on the successful completion of the pathfinder, the Review suggests that the Government should aim to roll out a Money Guidance service as soon as practically possible.

CONCLUSION

E.47 On the basis of its analysis and research, the Review concludes that a national service is wanted, needed and beneficial for the UK population, the FSI, the Government and society as a whole. The Review believes that a universal service can be created, which will effectively engage and support those who will benefit most from Money Guidance. The combination of our vision for the Money Guidance service and the pathfinder create the necessary framework to deliver a new national service. The pathfinder offers the ideal balance of maintaining the momentum, validating aspects of our hypothesis and establishing the foundations of the service. The Review very much hopes that the pathfinder can be set in motion as soon as possible in 2008.

1 Building the evidence base

Summary

This chapter sets out the evidence base underpinning the Review's recommendations for a high-level blueprint for a Money Guidance service.

Since the publication of its interim report in October 2007, the Review has carried out extensive consultation and further research and analysis. To place the research in context, this chapter describes the objectives of the different pieces of research and signposts the reader to the chapter where the findings are discussed in more detail.

The largest piece of original testing commissioned by the Review involved the prototype Money Guidance services. This chapter sets out the experiences of the prototype users and discusses the key findings from the monitoring and evaluation of the prototypes. These findings have implications for a broad range of issues including:

- the demand for Money Guidance;
- the scope of the service and its mix of channels;
- the requirements of Money Guidance advisers in terms of their skills mix;
- possible ways of engaging people in Money Guidance; and
- the impact of Money Guidance on their behaviour.

The rest of the report discusses these issues in detail.

Interim report evidence base

1.1 The recommendations in this report are based on the totality of the Review's evidence base. At the interim report stage, the Review had:

- analysed the high-level costs and benefits of delivering a national approach and the key drivers of the costs and benefits for different stakeholders;
- gained insights from consumer focus group research in England, Wales, Scotland and Northern Ireland, supplemented by in-depth interviews with those from black and minority ethnic groups;
- carried out a detailed assessment of the population who would benefit most from Money Guidance;
- analysed the international Money Guidance arena in order to learn lessons from other nations; and
- clarified its understanding of the boundary of the Money Guidance service with the current Financial Services Authority (FSA) and the Consumer Credit Act regulatory framework, to establish the scope of Money Guidance delivered in the prototype services.[1]

[1] All research reports commissioned by the Review are available online at http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm

Final report evidence base

1.2 Since October 2007, the Review has carried out further consultation, analysis and research. Most notably:

- completed and evaluated the prototype Money Guidance services;
- met with key stakeholders to refine thinking, and to listen to and learn from the numerous responses to the interim report;
- held workshops and commissioned research to further examine and debate particular issues around the funding and governance of the service, the advice protocols the Review developed, the boundary of the service and the training and competence of Money Guidance advisers;
- carried out a more detailed cost-benefit analysis (CBA) together with an assessment of possible funding mechanisms for generating industry contributions;
- undertaken extensive consumer and marketing research, including re-contacting those who took part in the focus group research last year;
- mapped the geographical distribution of the estimated 19 million people who could derive the most benefit from Money Guidance;
- created customer insight portraits of different customer groups within the 19 million, identifying factors such as affinity to brands; and
- mapped the location of infrastructure that could potentially be used in the delivery of face-to-face (F2F) Money Guidance in the UK.

All of this research is based on the detailed assessment of the groups of UK adults who could benefit most from Money Guidance, carried out in the interim report. Box 1.2 summarises this assessment is therefore reproduced at the end of this chapter.

Findings

1.3 Table 1.1 links the research to the chapter where the findings are discussed in more detail and the annex where the research is published.

Table 1.1: Location of research papers

Annex title	Report chapter	Annex number
Evaluating the prototype generic financial advice services (2 reports)	Throughout the report	1
Regulatory boundary of generic financial advice	3	2
Advice protocols for generic financial advice	3	3
Cost benefit analysis	2; 6; 7	4
Geared for action: Developing the generic financial advice service	5; 8	5
Feedback from the consumer friendly version of the Interim Report	5	6
Mapping generic financial advice	4; 5	7

LESSONS FROM PROTOTYPE MONEY GUIDANCE SERVICES

Introduction 1.4 The Review has built up a coherent picture of the prototypes' successes and shortcomings through monitoring and evaluating their performance. The rest of the chapter discusses this picture. It does not make recommendations but sets out the broad overview of this evidence, which supports the recommendations that follow in the rest of this report.

Key findings

Users' experience 1.5 From analysing the users' experiences, the Review learned that:

1. Consumers want a Money Guidance service: when prompted, 75 per cent of adults surveyed said they would use a "national information and guidance service for personal finance issues". Of these, over 25 felt that they would be very likely to use this service. Even if only one-third of those who said they were very likely to use the service actually did so in one year, and this experience was spread across the UK adult population, this would suggest a level of demand of some 4 million users per annum. Potential demand for Money Guidance is similar across most demographic sub-groups.[2] Managing demand is therefore likely to be an important element of the management of the service once it is up and running.

> "When they explained all the things they did … I was like, where you people been hiding, this information should have been available to us a long time ago." **Male; 20s; London; F2F prototype user**

2. There is a high advocacy rating: 70 per cent of prototype users who took part in the survey were very likely to recommend the service, with the telephone prototype scoring as highly as face-to-face (F2F). Endorsement was strong across all demographic groups but users with families were particularly positive. Users of the service strongly endorsed the principles for Money Guidance.[3]

> "I believe the Money Fitness scheme can help an awful lot of people." **Male; 20s; London; F2F prototype user**

3. Early indications suggest Money Guidance can affect behaviour: eight out of ten respondents took at least one action within a week or so of using the service. Of these, over half took specific action, such as buying a new product or speaking to a regulated adviser.[4] Tracking consumer outcomes and understanding the impact of Money Guidance will be an important element of measuring the success of the service.

> "What she gave me was the confidence ... It was like Yes! I know what I'm talking about, and I felt really comfortable ... I was like, maybe there are other bank accounts I can check ... so I opened another one, it was online banking, which I'd never used before ... it's with the same bank but obviously there was a difference with regards to interest, so I'm actually better off. I know it's just a few percent, but still a few percent … is your lunch, your travel." **Female; 20s; London; F2F prototype user**

[2] An all-adult survey of 1,011 people (who were non-users of the prototypes) was conducted in the areas where the prototype services were offered in December 2007. See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

[3] See footnote 2. The principles of Money Guidance are described in Box 1.1 and the Executive Summary.

[4] See footnote 2 for source.

1.6 Box 1.1 sets out the key findings against the Review's principles for a national Money Guidance service.

Box 1.1: Principles of a national service and key findings from the prototypes[5]

1. **"On my side"** – Money Guidance needs to be delivered by advisers with empathy and clear questioning skills. These skills are hard to teach and the prototypes provide an enhanced understanding of the mix of soft skills the service should aim to recruit, and the technical competences in which the service should train its staff.

2. **Supportive** – There is indicative evidence that a Money Guidance service can provide people with the confidence, support and motivation to take specific action.[6] Of the prototype users who took part in the survey, eight out of ten took at least one action within a week or so of using the prototypes. Of these, over half took specific action, such as buying a new product or speaking to a regulated adviser.

3. **Preventative** – Money Guidance addresses a broad range of needs. The branding and positioning has a direct impact on the nature of the queries; saving and investing either for retirement or other events was the most common reason for contacting "Money Fitness",[7] closely followed by managing debt and budgeting. Around half of the calls to Consumer Direct, who used their existing brand to provide Money Guidance, concerned a complaint relating to a financial provider or product, closely followed by managing debt.

4. **Universal** – Money Guidance appeals to a broad mix of people. A mix of channels can effectively appeal to different types of people and a cross-section of needs. A telephone service appears to have wide appeal, but may not attract those on low incomes with complex needs or draw in those who lack confidence in discussing finance. Specific groups, particularly the vulnerable and young, may require targeted engagement, to make them aware of the benefits of Money Guidance.

5. **Sales free** – Most people surveyed want to make their own decisions and do not want the Money Guidance service to be linked directly to selling. The prototypes support the hypothesis that Money Guidance can be provided outside current FSA and Consumer Credit Act regulation and prompt the majority of users to take some action.[8]

Context and limitations

1.7 The Review commissioned two prototype Money Guidance services over autumn 2007:

- in the north-west of England, a consortium led by Consumer Direct delivered Money Guidance over the telephone, with F2F Money Guidance delivered in four Citizens Advice Bureaux. Both offered Money Guidance under their existing brands;
- in London, Staffordshire and South Yorkshire, A4e, a private sector provider/contractor of front-line public advisory services such as Legal Services Direct, delivered both telephone and F2F Money Guidance as "Money Fitness"; and

[5] Other research validates the Review's principles for Money Guidance. See Annex 5 – Geared for action: Developing the generic financial advice service, National Social Marketing Centre.
[6] The impact of Money Guidance on behaviour is discussed further in Chapter 2.
[7] A4e operated its prototype Money Guidance service as "Money Fitness". See paragraph 1.7.
[8] The implication of this finding is discussed further in Chapter 3.

- both prototypes delivered web-based Money Guidance using a single page under their own brand with links to the FSA's MoneyMadeClear web pages and other sites – for example, The Pensions Advisory Service.

Pilots to prototypes

1.8 The interim report called these services "pilots", but they are in fact more accurately described as "prototypes" because they tested out *elements* of delivering guidance on money matters as opposed to piloting an end-to-end service. The resulting services were partly a product of their design and, in particular, what could be achieved within twelve weeks.

Design

1.9 The prototype contractors were tasked with constructing a service that could test four variables, which are discussed further in paragraphs 1.16 to 1.28. In the preparation period, the contractors were required to:

- recruit both skilled and less skilled advisers;
- train advisers to use the advice protocols provided by the Review;
- develop an approach to scripting the guidance over the telephone;
- develop and implement a branding and twelve-week marketing campaign;
- link up their prototype service with other services and the referral agencies in the advice protocols; and
- establish management information (MI) recording functions.

1.10 The prototypes operated over a twelve-week period in the run-up to Christmas, which, when combined with the very limited marketing budget, naturally constrained the marketing strategy and outreach.

Monitoring and evaluation

1.11 The requirement to monitor and evaluate the prototypes was built into their specification and carried out by independent researchers:

- Analysis of management information was carried out to identify the numbers and types of consumers attracted to the prototypes. Annex 1, *Management Information Final Report, February 2008* is based on 767 MI records collected from the users of the two prototype services through the channel used to access Money Guidance (so, for example, telephone users were asked the MI questions by the adviser who delivered Money Guidance). The MI records represent 15 per cent of the total traffic to the two services but response rates varied significantly by channel. Both telephone and F2F achieved response rates of around 70 per cent, meaning that the samples are broadly representative. However, the web surveys achieved much lower rates of response and the samples may not be representative.
- Independent research was conducted to assess the prototypes' success in meeting their intended outcomes. The report attached at Annex 1, *GFA Prototype Evaluation*, is based on:
  - quantitative research with 168 people who used the prototypes;
  - in-depth qualitative research with 36 people who used the prototypes;
  - wider consumer research with 1,011 adults to assess attitudes towards Money Guidance and the scale and nature of potential demand for a service.[9]

[9] See footnote 2.

Evaluation limitations 1.12 Both the MI and the wider research programme were dependent on willing participation of the users of the service and the general public, they were therefore self-selecting.

- The MI collected from telephone and F2F users should broadly represent the profile of all such users due to the relatively high response rates. However, it is less clear whether the web-user sample is representative.
- Although those who participated in the quantitative study of users necessarily represented a much lower response rate, a comparison of the demographic and attitudinal profiles of MI respondents and the quantitative sample suggests that they are broadly similar.
- Those who volunteer for qualitative research often feel more strongly about their experience of using the service (either positively or negatively).

1.13 The online nature of the research with 1,011 adult respondents and the willingness to participate both have the potential to introduce bias into the sample. To provide a more representative sample, quotas were set for region, age group and gender. Although the Review accepts that the findings may not be fully representative of the general public's views, some findings are strong enough to outweigh even large variations and suggest general significance.

1.14 Observers of the prototype service tended to expect an end-to-end service, not prototypes. This may have coloured perceptions.

FINDINGS IN DETAIL

1.15 This section sets out the detailed findings from the prototypes against the four variables which the prototypes set out to test.

Channels

Appeal of channel 1.16 The prototypes set out to test the different ways of delivering information and guidance, in terms of the channel (telephone, internet and F2F). They received 5,036 contacts across web, telephone and F2F channels, in the twelve-week period; 83 per cent of contacts were web users, 13 per cent contacted the service using the telephone and 4 per cent received F2F guidance. The Review has learned that the resulting channel mix is largely a reflection of:

- the period over which the prototypes are run: web traffic is relatively easy to build, so in a short period of prototyping it would be expected to dominate;
- the engagement strategies and media mixes employed by the prototypes: Consumer Direct (CD) provided Money Guidance under its existing CD brand as a telephone service, providing basic consumer legal advice. Its Money Guidance prototype telephone service received 22 per cent of its overall prototype traffic, whereas A4e's "Money Fitness" telephone prototype received 4 per cent of its overall traffic; and

- people's preferences for obtaining information and guidance: when asked what channel people would want to use to access Money Guidance, of all those interested at all in using such a service, 74 per cent would use a web-based service, 43 per cent a telephone service and 54 per cent a face-to-face service. A significant majority of respondents chose more than one method of access, suggesting that a single channel delivery will not meet individuals' needs or preferences fully.[10]

Channel and user

1.17 Further analysis of the contacts demonstrates that a mix of channels and brands enabled the prototypes to appeal to a broad spread of people, not just low-income groups, the socially excluded or vulnerable. The prototypes were successful at attracting some of those who could benefit from Money Guidance. A telephone service appears to have wide appeal, but may not attract those on low incomes with complex needs or draw in those who lack confidence in discussing finances. Low-income or vulnerable groups tended to engage with Money Guidance once they had a good understanding of how they could benefit from the service.[11]

Channel mix

1.18 Wider research found that the majority of people want to use the channels in conjunction with each other. For example, among the respondents who chose to access Money Guidance through the telephone channel the vast majority (97 per cent) expect to use it in conjunction with another channel and this seems to divide evenly between those who would use it with F2F and those who would use it with the web. Of those who prefer F2F access, 19 per cent chose it exclusively with the remaining 80 per cent tending to combine it more with web than the telephone channel.

1.19 The findings from the general public survey do not suggest that preferences for delivery channel vary significantly by income. However, intended frequency of using a service does, with 82 per cent of those on higher incomes saying that they would be likely to use it once a year, compared to 64 per cent of those on lower incomes.

Style and tone for delivering Money Guidance

Principles of Money Guidance

1.20 The prototypes set out to test the style and tone for delivering information and guidance including scripted versus unscripted approaches. Both prototypes operated the principles of Money Guidance as described in Box 1.1 and the Executive Summary. The findings from in-depth research with a sample of prototype users suggest that the principle of impartiality was particularly important to them:

> "The Government-backed impartiality of it gives you faith in it." **Male; 30s; Home Counties; web/telephone user**

Prototype users who completed the research praised the advisers for their empathy and helpfulness: over 85 per cent of the respondents described the prototype service as helpful.[12]

[10] See footnote 2 for source. The percentages do not add up to 100 because respondents chose more than one channel to access Money Guidance. Care should be taken when interpreting hypothetical responses – people do not always behave as they intend.

[11] A4e provided F2F Money Guidance at LearnDirect centres where groups of young people were attending skills training courses for people returning to work.

[12] See footnote 2 for source.

Scripts 1.21 In the time available, the prototype contractors were unable to develop scripted advice protocols. In the absence of scripts, telephone and F2F advisers followed the advice protocols to deliver "semi-structured" guidance. Observers of the prototypes noted the advisers' helpful approach, but felt that a large proportion of calls could have benefited from more structure through standardising questions and summing up the guidance. Advisers, some of whom had previous experience of using scripts, felt that scripted discussions would not suit the needs of the Money Guidance users. The Review supports this view and believes the Money Guidance service should follow a similar approach to other advice agencies, such as the Consumer Credit Counselling Service and The Pensions Advisory Service and provide structured, as opposed to fully scripted, guidance.

Adviser skills

Scripts 1.22 The prototypes set out to assess the relative effectiveness of different types of adviser.[13] Prototype users who responded to the survey praised all types of advisers for their empathy and customer-handling skills. This provides a clear indication of the soft skills that advisers need to have. Users were less pleased with the depth of knowledge and therefore the detail of guidance they received, particularly on the telephone from less skilled advisers. Observers of the prototypes felt that the skilled advisers were generally more confident and able to utilise the full scope of the advice protocols. A user who experienced Money Guidance from a skilled adviser illustrates this:

> "She was a skilful individual with business experience, and able to connect [Money Guidance] with her private financial life experience." **Male; 40s; London; F2F user**

1.23 Although users were largely satisfied and advisers felt confident, informed observers were able to spot the gaps and errors in guidance.

Engagement

Introduction 1.24 The prototypes set out to test the ways of engaging the potential users of the service, particularly those most vulnerable to the consequences of poor financial decision-making. The limited trial period and resources restricted the scope of the engagement strategy. Therefore the positive findings, in terms of the groups with whom the prototypes engaged are all the more encouraging.

1.25 Approximately one in five of the users of the CD prototype made contact after seeing or hearing its Money Guidance marketing activity; a similar proportion resulted from internet searches. More than half of the users were referrals from within the CD organisation. These were either people who had made contact with CD on a specific consumer-related legal issue, then recognised that they had a Money Guidance need and were referred to the Money Guidance team within CD, or who had made initial contact via the mainstream CD or trading standards telephone number (as opposed to the specific Money Guidance number) after becoming aware of a "Money Guidance service operated by CD".

[13] The prototypes aimed to test skilled and less skilled advisers on the telephone. Skilled advisers had experience of working in the financial services industry but were not fully qualified regulated advisers. For example, one skilled adviser was CeMap qualified with over five years' experience of working in the pensions industry. Less skilled advisers had customer-handling experience, from working either in call centres or in the retail sector.

1.26 A4e's "Money Fitness" attracted approximately half of users through Money Guidance marketing activity or referrals from friends, with the remaining half being generated predominately through existing A4e programmes. For example, A4e promoted its Money Guidance service through its LearnDirect centres where, under a contract with the Department for Work and Pensions, A4e provide training courses for people returning to work.

Needs **1.27** The prototype services attracted a broad range of needs and provided evidence that people want to plan ahead. Younger callers contacted the telephone prototypes about a broader range of subjects than older users. Savings and investment queries were prevalent in similar degrees among younger and older users – 25 per cent compared to 30 per cent respectively. Borrowing and debt queries were slightly more common among younger users – 43 per cent compared to 29 per cent.[14] Qualitative research conducted with the prototype users demonstrates that Money Guidance has appeal for both single-topic issues and more holistic planning:

> "With the baby coming soon, I was quite keen to get my finances in order and to make sure that any savings I had are in the best possible place." **Female; 20s; Stoke; web/telephone user**
>
> "She told me so many things that made me have a different outlook on life … where we are with our money spending … sometimes you could put down £1 a week … it's the littlest things that actually help … maybe if I'd had this information before, I would be alright now. I'd have a Lexus outside preferably!" **Male; 20s; London; F2F user**

Brand **1.28** The impact of the brand and position of the Money Guidance service on the nature of users' queries is discussed further in Chapter 5, drawing on the findings from the prototypes.

CONCLUSION

1.29 The Review built a prototype of a Money Guidance service so that people could try it and tell us what they thought. This chapter has described the key lessons learned from the process of building, running, monitoring and evaluating two prototype services.

1.30 The findings from the prototypes have been used to inform the Review's views on a broad range of issues, which the rest of the report discusses in more detail.

[14] See Annex 1 – *Evaluating the prototype generic financial advice services*, Jackie Wells.

Box 1.2: Money Guidance needs of the UK population – a summary

	Most vulnerable 9–11 points	Regular users 6–8 points	Infrequent users 2–5 points	Occasional users 0–1 points
Number of UK adults	7.5 million	11.7 million	20.7 million	5.6 million
Vulnerability	Multiple drivers of vulnerability: lack of access to commercial advisers, poor planning ahead, very limited savings or protection, limited financial portfolio and therefore limited knowledge of products, difficulty making ends meet and over-indebtedness (almost half). Many who are working have no pension. One in five may have literacy problems and 50% live in areas with high levels of multiple deprivation.	Vulnerability driven primarily by not being adviser prospects (majority), not being experienced at choosing products, some lack of savings, over-indebtedness (one in three). Showing signs of not being good at planning ahead and more than one in three with low scores on making ends meet. However, generally good at keeping track of money and many have some savings. One in ten may have literacy problems and >20% live in areas with high levels of multiple deprivation.	Vulnerability driven primarily by not being adviser prospects (about two-thirds), not being experienced at choosing products or not keeping track of their money. Results in some over-indebtedness (around one-third) and some lack of savings but generally good at planning ahead and staying informed. At upper end of scores, some struggling to make ends meet. A small number have literacy problems and one in ten live in areas with high levels of multiple deprivations.	Some lack of access to commercial advice and poor at keeping track of money but otherwise no significant signs of vulnerability. Consequences of subsequent poor financial decision-making unlikely to be significant for many (due to relatively high level of saving). Not at risk due to poor financial capability. No strong evidence of poor decision-making.
Expected needs of GFA	Approximately half of this group might be expected to require either crisis intervention or support from specialist agencies. Others expected to need help with pre-crisis managing debt and budgeting. Personal Account prospects.	Some crisis intervention but majority could gain help with interpreting products, managing debt, increasing savings, budgeting. Personal Account prospects.	Many of this group are capable of finding information and advice without the support of GFA. They do, however, need help in understanding products and some money management techniques. Focus on jargon busting.	Majority will not require targeted support from GFA. However, this group includes many approaching or in retirement. Some support may be required in complex areas such as annuity purchase/equity release.
Demographics	Average incomes 60% of national average. All household incomes <£40,000 after tax. Approx 20% have no financial products (yet). On average hold 1 banking/saving product types. 30% no bank account, 70% aged under 45, 8% aged over 65. Slightly less likely than average to be working but more likely to be working part time. Slightly more female than male. Many more singles, separated and divorced than average; only 25% married. Approx. 25% single parents. Higher than average in Wales, Scotland, NI and in England in NW, NE and London. Slightly higher than average non-white. Lower education levels than average (20% A levels and above). <20% own their own home, half in social housing.	On average, incomes slightly lower than national average – almost half with incomes between £10k–£30k after tax. Approx. 5% with higher incomes. On average hold 2 banking/savings product types. Younger than average, 62% aged under 45, 16% aged over 65. Slightly more likely than average to be working full time. Slightly more female than male. More singles and divorced than average but >40% married. >15% single parents. Higher than average in NW, NE, W Midlands and London. Slightly higher than average non-white. Slightly lower education levels than average. <50% own their own home, more social housing and more private renting than average.	Incomes higher than national average – fewer very low incomes than least vulnerable but also fewer very high incomes. On average hold 4 banking/savings product types. Age more typical of population: 45% aged under 45, 22% aged over 65. Slightly more likely than average to be working full time. Slightly more female than male Slightly more likely to be married than average and with dependent children. Broadly geographical spread. Ethnic mix closer to population average. Slightly higher education levels than average. 75% own their own home, less social housing than average.	Typically higher income and/or wealth (although 1:3 have household income <£10,000 p.a. after tax). On average hold 7 banking/savings product types. Older (60% over 55). Half have retired, most of remainder in full-time work. More male than female. Predominantly married (but most no longer have dependent children). More likely than average to live in SE, SW, East of England or Yorkshire. Less likely than average to live in London, NE or Wales. Few non-white individuals 60% 'A' Level or above. > 90% own their own home (>30% no mortgage).

2 Realising the benefits of Money Guidance

Summary

The Review believes that a national Money Guidance service can be a key element in the Government's long-term approach to financial capability. Money Guidance aims to support the outcomes of financial capability – giving people skills, knowledge and confidence, and encouraging changes in behaviour.

A detailed cost-benefit analysis (CBA) carried out for the Review by Deloitte Consulting[1] demonstrates that a Money Guidance service which changed the behaviour of even a small proportion of those who could benefit most from Money Guidance, so that they moved closer to these high-level outcomes, would deliver significant benefits for consumers, the financial services industry and Government.

In net present value (NPV) terms to 2060[2] the quantifiable net benefits of Money Guidance are estimated to be:

- for users, benefits of over £15 billion;
- for the financial services industry, quantifiable benefits are in the range £3,612 million to £5,514 million, while quantifiable costs are in the range £390 million to £832 million;
- for the Government, quantifiable benefits in the range £4,650 million to £6,000 million NPV, while quantifiable costs are in the range £390 million to £839 million;
- for society as a whole, quantifiable benefits of £344 million.

There are additional unquantifiable costs and benefits, in particular effects on consumers' health and well-being, from reductions in financial stress, possible costs to the financial services industry from more shopping around by consumers, and possible negative and positive impacts on tax yield and benefit expenditure for the Government. But none of these effects appears likely to disturb the overall conclusion that the benefits of a Money Guidance service would significantly outweigh the costs for all stakeholders, even on conservative assumptions.

2.1 This chapter:

- describes the high-level outcomes that could be brought about by improved levels of financial capability among the users of a Money Guidance service;
- describes and quantifies the benefits that could be expected to accrue to consumers, the financial services industry, UK Government and society as a whole from those outcomes.

[1] Full details of the methodology and assumptions used to calculate the benefits described in this chapter are given in Annex 4, which reproduces the full text of the CBA.

[2] I.e. the cumulative discounted value of costs or benefits over the whole period 2009 to 2060, expressed in 2008 prices.

2.2 The costs quoted include the possible costs of the service itself, which are assumed for these purposes to be shared 50:50 between the Government and the financial services industry.[3] The costs of delivering the service are discussed in detail in Chapter 7. Funding arrangements are discussed more fully in Chapter 6.

Interim report conclusions

2.3 The interim report concluded that there would be positive benefits to the financial services industry, the people of the UK and its Government from a national approach to generic financial advice (GFA) (now Money Guidance). It recognised that the long-term benefits are difficult to quantify and concluded that, while further work was needed to analyse some of the benefits of Money Guidance, it was clear that those potential benefits were significant. The Review undertook to return to this issue in its final report.

High-level outcomes of Money Guidance

2.4 The aim of Money Guidance is to bring about changes in the way people engage with and manage their financial affairs, and the prototype Money Guidance services suggest that this can be done. The work commissioned by the Review on engagement cautions that it takes time to bring about such major changes.[4] Box 2.1 articulates a vision of what success could look like for consumers. It identifies improvements that a Money Guidance service should aim to promote in its users' behaviour across a range of activities, identified as "domains" in the Financial Services Authority's (FSA) National Strategy for Financial Capability.

[3] This is a modelling input. The Review's conclusion that costs should be split equally between the Government and the financial services industry is based on the cost-benefit analysis and other evidence, which is given in chapters 2, 6 and 7.

[4] See Annex 5 – *Geared for action: Developing the generic financial advice service*, National Social Marketing Centre.

Box 2.1: Potential high-level outcomes for users of the Money Guidance service

Financial capability domains	Type of steps or habits					
Making ends meet	Aware of budgeting principles	Establishing an active budgeting habit; better prepared to pay bills/meet credit payments	Less reliant on credit as a source of income; taking steps to maximise income, e.g. claiming entitlement to benefits	Thinking through impacts before spending money	Successful budgeting to see through shocks in income (rainy day)	Develop savings habit for short- and medium-term expenditure
Keeping in touch	Opening financial letters such as bank statements	Paying bills on time; establishing a budget/log habit; making regular checks on bank balances, etc.	Taking active steps to monitor and question things that happen to your money, e.g. question charges, switching from metered utility supplies to billing	Understand pension/long-term savings statements/ role of protection products	Annually reviewing long-term savings/ protection needs. More appropriate use of regulated advisers	Understand and prepare for retirement/ future shocks and regularly review changes which could affect product holdings
Staying informed	Knowing where to get help and information	Reading financial pages and awareness of implications, e.g. consequences of a change in interest rates	Seeking opportunities to stay informed, for example calling the Money Guidance service, talking to friends and family	Establishing a staying informed habit even if the result is doing nothing/staying the same		
Planning ahead	Recognise need for long-term planning and what you have to understand to do it	Taking advantage of opportunities to plan ahead, e.g. employer-based seminars, joining workplace pension schemes	Understanding the principles of risk and investment Understanding the different types of regulated advisers	Shift in mindset (attitudes) towards planning ahead and preparing for life events; more appropriate use of regulated advisers	Establishing and maintaining a savings habit; planning for retirement	
Better choices	Knowing the key questions to ask of products and regulated advisers	Purchasing products for first time; less fear of options; able to compare features and price of products	Better able to discriminate between products and use comparative tables effectively. Happier with choice of products (active decision-making)	More appropriate use of regulated advisers	More varied and balanced product holdings	Better choice of products; maximise income

2.5 Box 2.1 describes, in high-level terms, the steps that an effective Money Guidance service should promote, or the habits that it should engender. In practice, each user will have different needs. Some will need help with a specific question, while others will benefit from a holistic service, covering all of their financial wants and needs. However, the service should be able to help users to achieve many different things, for instance:

- helping people work out how to budget more effectively, and where to make savings, so that they can afford to put money aside for a rainy day or for retirement;
- encouraging people who are currently in reasonable financial health, but who would struggle if something unexpected happened, to consider their insurance and protection needs; and
- advising and reassuring people about the deposit protection that is available, should their bank or building society get into difficulty.

2.6 There are other ways of identifying the outcomes from consumers becoming more financially capable. For example, identifying the benefit of Money Guidance during key financial decisions taken at particular life stages.

2.7 Measuring changes from interactions between attitudes, skills, knowledge and behaviour is complex. And consumers will have different levels of capability; some may have high levels of financial knowledge but lack the confidence to interact with financial services on an equal footing. Box 2.1 does not attempt to highlight these complexities – it should be viewed as a starting point for considering the measures of success for the service itself. Furthermore, to understand what "good" looks like for different groups of people, outcomes could be mapped against the Review's analysis of the likely Money Guidance needs of the adult population.[5]

2.8 Realising these outcomes for consumers is dependent on several interrelated factors, in particular prompting the service's users to take action. And the prototypes provide a number of pointers that suggest this can be achieved.[6]

2.9 The Review believes that its blueprint for a Money Guidance service has the right ingredients to deliver a wide range of positive outcomes for consumers. The rest of this chapter describes how a Money Guidance service which delivered even a part of this long-term vision would translate into significant benefits for consumers, the financial services industry and the Government.

[5] See Box 1.2 in Chapter 1.

[6] Action that users took as a result of using the prototype services is discussed further in Chapter 1.

Cost-benefit analysis

2.10 In their responses to the Review's Call for Evidence and interim report, and in informal discussions with the Review, many in the financial services industry questioned whether there would, in practice, be any benefit to industry from improved financial capability among those most likely to benefit from Money Guidance.

> GFA will … produce very limited benefits for financial services companies, and consequently making a convincing case for financial services companies to co-fund generic advice based on commercial benefits is, we believe, impossible.
>
> **Prudential, Response to Interim Report**

2.11 The Review believes such doubts were, to an extent, based on a misreading of who would access and benefit from the service. The Review heard the view expressed many times that Money Guidance was a service for people on low incomes who were unlikely to have contact with the financial services industry, except through their charitable or corporate social responsibility activity. However, the cohort of 19.2 million people identified in the interim report as most likely to benefit from Money Guidance represents nearly one-half of the UK adult population. Even subtracting the 3 to 4 million people who probably do initially need crisis support rather than Money Guidance, this leaves over 15 million target users. Many of these could benefit from the products and services of the financial services industry, including regulated advice. If Money Guidance can equip those people to better understand their financial circumstances, and take action to improve them, the commercial, as well as the social, benefits will be significant.

2.12 Table 2.1 summarises the conclusions of the CBA.

Table 2.1: Summary of key impacts in NPV terms of Money Guidance to consumers, the financial services industry and Government[7]

£ million (2008 prices)	Costs	Benefits
Consumers		
Use of GFA service	£594m to £988m	£16,400m
FSI		
Funding 50% of GFA service[8]	£390m to £832m	
Customers shopping around	Not quantified	
Bad debt reduction		Up to £1,800m
Acquisition costs (advising and selling)		£1,180m to £2,360m
Reputation		£22m to £44m
Reduced cost of regulation		Up to £210m
Increased demand for products (excl. general insurance)		£400m to £1,100m
Indicative total (excl. impact of shopping around)	**£390m to £832m**	**£3,612m to £5,514m**
UKG		
Funding costs of GFA service[8]	£390m to £832m	
Impact on funding of debt agencies	Up to £7m	Not quantified – costs may fall if GFA successful
Pension credit savings		Up to £2,600m
Increased VAT receipts		£1,600m
Tax receipts from savings products		£450m to £1,800m
Other tax/benefit impacts[9]	Not quantified	Not quantified
Indicative total (excl. impact on other tax/benefits)	**£390m to £839m**	**£4,650m to £6,000m**
UK economy		
Reduced absenteeism		£344m

Source: Deloitte Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches.

2.13 The impacts are calculated using a lifetime benefits model which projects the cost of delivering the service under a variety of assumptions and which simulates the impact on individuals – and by extension the financial services industry and Government – of making changes to the management of their personal finances in response to Money Guidance. It assumes no structural changes in the economy, such as an adjustment to house prices or major recessions. The quantitative outputs from this model are supplemented in some areas by additional estimates of costs and benefits and by qualitative descriptions and justifications where quantitative estimates are not possible.

[7] Source: Deloitte CBA reproduced at Annex 4.
[8] Costs of the service are discussed in Chapter 7.
[9] Other taxes/benefits include Housing Benefit, Council Tax Benefit, tax rebates on pension contributions, changes in tax on personal income and changes in corporation tax.

2.14 Impacts are given in NPV terms to 2060; that is, the cumulative discounted value over the whole period 2009 to 2060 expressed in 2008 prices. This long timeframe reflects the fact that benefits will build up over time – in the case of consumers, over a lifetime.

2.15 The CBA model is based on a number of assumptions, which are set out fully in Annex 4. Some of the key assumptions are, however, worth discussing in detail:

- The CBA assumes that the main target group for the service is the 19.2 million people identified in the interim report as most likely to benefit from Money Guidance, or likely to be frequent users of the service. However, benefits were calculated by modelling changes in the financial behaviour and circumstances of individuals in that group who are basic rate taxpayers, with incomes at or below average, and for whom state benefits are less than 20 per cent of income. This methodology results in a cautious assessment of benefits for all stakeholders. It means that benefits may be underestimated by excluding the value of advice on budgeting for those in lower income groups. It will similarly underestimate benefits by excluding the impact on people on higher incomes, who may nevertheless access and benefit from Money Guidance, which will be positioned as a universal service.
- The CBA model assumes that 10 per cent of the target group act on advice, and that they act on it fully. The evidence of the prototypes suggests that this could underestimate the proportion who may respond to the service's call to action. Conversely, it may be unrealistic to assume that the response to guidance will be either to adopt it in full or to do nothing at all. The estimate of 10 per cent acting fully could, however, also stand as a proxy for a higher proportion partially implementing guidance. The Review believes that this 10 per cent figure therefore represents a realistic but cautious simulation of the impact of Money Guidance on the target group.
- The lifetime benefits model simulates the impact of Money Guidance over the period 2009 to 2060 on a population divided into five age clusters: young (18–26 years), families (27–39 years), middle age (40–52 years), eve of retirement (53–68 years) and elderly (69 and over). It is based on the characteristics of today's population. It assumes that today's 20-year-olds will, in 30 years' time, have similar characteristics to the 50-year-olds of today; and that a person who is 20 years old in 30 years' time will have similar characteristics to a 20-year-old today. It therefore takes no account of possible improvements in financial capability that might occur among younger and unborn cohorts in the absence of Money Guidance but as a result of current financial education initiatives.

Impact on consumers

Benefits to consumers

2.16 The CBA estimates that the impact on consumers of a Money Guidance service would be as summarised in Table 2.2. It suggests that the benefits to consumers would outweigh costs by over £15 billion in NPV terms (2008 prices, over the period 2009–2060). The drivers of these benefits are discussed below.

Table 2.2: Summary of impacts on consumers

£ million NPV (2008 prices)	Costs	Benefits
Use of GFA service	£594m to £988m	£16,400m

Source: Deloitte Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches.

2.17 Some key behaviour changes that could be anticipated as a result of consumers acting on Money Guidance at relevant life stages are discussed below. Annex 4 explains in detail how these changes in behaviour as a result of Money Guidance translate into the financial benefits summarised in Table 2.2.

- **Better budgeting:** The lifetime benefits model assumes that people facing a shortfall in their income will reduce expenditure and draw down on available savings to finance this gap rather than using more expensive credit card debt to finance some of this shortfall.
- **Management of debt:** The model assumes that, in the event of a surplus in income, people will increase their expenditure by a smaller amount and will pay off high-interest debt first. They may also reallocate some short-term savings to pay off debt. (This is likely to increase expenditure in the long term as a smaller proportion of overall income is used to finance interest on debt.)
- **"Shopping around":** The model assumes that savings on short-term savings products and lower interest on debt products are achieved following Money Guidance. It also assumes that people purchasing an annuity with their pension assets will achieve higher annual payments following Money Guidance.
- **Investment in pensions:** People acting on Money Guidance are assumed not to opt out of auto-enrolment into occupational pension schemes when this is introduced in 2012.[10] This will reduce their expenditure in the short term, but the resulting growth in pension assets leads to higher expenditure in retirement.
- **Increased protection:** The model assumes that appropriate protection (life insurance) products will be purchased as a result of people acting on Money Guidance. Premiums will reduce consumption in the short term but the benefits which may accrue in the future could reduce the need to draw down on savings or increase debt.

2.18 The model does not include the possible impact of increased uptake of non-life protection products, in particular buildings and contents insurance. Recent surveys have suggested that up to 20 per cent of households do not have contents insurance and that a similar proportion do not have buildings insurance.[11] The cost of premiums from increased take-up will reduce consumption in the short term, but, as demonstrated by the effect of recent floods, the potential benefits – both financial and in terms of reductions in stress and distress – are considerable.

[10] The UK Government has estimated that between 2 and 5 million employees may opt out of a Personal Account (DWP Pensions White Paper, Security in Retirement, May 2006, p. 45). The CBA assumes that around 1 million of them will be persuaded by Money Guidance to remain auto-enrolled. This benefit is attributed to Money Guidance.

[11] See, for example, Nationwide Research Reveals One In Five Don't Have Buildings Insurance – 22 January 2008 http://www.nationwide.co.uk/mediacentre/PressRelease_this.asp?ID=1141

Costs to consumers

2.19 The CBA bases the costs to consumers of Money Guidance on the direct costs of using and responding to the service. These are assumed to be the costs of telephone calls for those accessing the service by telephone, and the notional value of non-work time spent accessing the service and acting on the guidance received. If treated as a cash cost, the amount (£594 million to £988 million NPV) is vastly outweighed by the benefits.

2.20 The CBA assumes that there will be no direct charge to consumers for using the service. Although the scale of benefits could be used to argue that consumers should pay for using the service, in line with our terms of reference, the Review believes that, at least in the short to medium term, the service will need to be free to users in order to attract those with whom it most needs to engage.

Impact on the financial services industry

Benefits to financial services industry

2.21 The CBA estimates that the impact of a Money Guidance service on the financial services industry would be as summarised in Table 2.3. It suggests that quantifiable benefits are in the range £3,612 million to £5,514 million NPV, while quantifiable costs are in the range £390 million to £832 million. The drivers of these benefits are discussed in paragraphs 2.22 and 2.23 below.

Table 2.3: Impact of Money Guidance on financial services industry

£ million NPV (2008 prices)	Costs	Benefits
Funding 50% of GFA service[12]	£390m to £832m	
Customers shopping around	Not quantified	
Bad debt reduction		Up to £1,800m
Acquisition costs (advising and selling)		£1,180m to £2,360m
Reputation		£22m to £44m
Reduced cost of regulation		Up to £210m
Increased demand for products (excl. general insurance)		£400m to £1,100m
Indicative total (excl. impact of shopping around)	**£390m to £832m**	**£3,612m to £5,514m**

Source: Deloitte Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches.

2.22 As the Money Guidance service starts incrementally to deliver the high-level objectives set out in Box 2.1 there should be corresponding changes in how the industry relates to these cohorts of newly capable consumers and how it competes to win their business. The quality of the industry's relationships with its customers should improve, as more knowledgeable consumers should be better able and more willing to engage with the industry to purchase products better suited to their needs. An ability to assess the value of financial products more accurately should mean that consumers have more confidence and trust in their chosen product and provider. These consequences of Money Guidance will deliver corresponding beneficial impacts on the cost for the industry of doing business and on the level of business done. The CBA describes these in detail; some of the most important ones are listed here:

[12] Costs of the service are discussed in Chapter 7.

- Reduced costs of defaults and bad debt management would flow from consumers being more capable of budgeting their household finances and managing their exposure to debt. The CBA judges that, with Money Guidance, the financial services industry could avoid £83 million of write-offs every year. This is equivalent to an NPV of around £1.8 billion.[13] This estimate is modest in comparison with existing levels of bad debt write-off.

  A further benefit arising from better debt management by individuals could be a reduction in the number of people with low or adverse credit ratings, which could increase the pool of people available for the first time to buy appropriate financial products.

- Advising and selling costs for industry are currently significant but should be reduced as consumers become more knowledgeable. The CBA estimates that a reduction in staff time devoted to advising and selling by 5–10 per cent would reduce industry costs by around £54 million to £108 million a year, £1.2 billion to £2.4 billion NPV.

- The reputation of the financial services industry with its consumers is likely to be improved as consumers select their products with more care and so achieve higher levels of both persistency and satisfaction. This may produce benefits in two ways. First, it may allow some marketing budgets to be redeployed from general awareness-raising of the need to engage with the industry to specific promotion of a brand and its services, which should further reinforce the impact of Money Guidance on increasing aggregate demand. Second, it may reduce the sums currently spent on dealing with complaints, both internally and in the form of cases referred to the Financial Ombudsman Service. The CBA estimates that improvements in reputation could generate savings for the industry of £22 million to £44 million NPV.

- If Money Guidance increases the pool of customers who understand their need for financial products and are more willing and able to engage with the industry to satisfy their needs, this should, in turn, have a positive impact on industry sales. The CBA quantifies these benefits at £400 million to £1.1 billion NPV in relation to savings, life assurance and pensions and annuities. It does not quantify the impact of increased sales of non-life protection products. This could, however, be considerable – see the discussion in paragraph 2.18.

2.23 The financial services industry currently invests significantly in attracting new customers, and retaining existing ones, spending around £1.5 billion a year on advertising and promotion.[14] In addition, research by the Association of British Insurers (ABI) suggests that commissions paid to intermediaries for life, pension and investments alone were around £4.2 billion in 2005. The Review believes it is reasonable to assume that consumers' greater propensity to buy financial products as a result of their increased confidence and understanding of their needs could reduce overall acquisition costs rather than simply change the nature of the marketing needed. Marketing spend will be more effective if aimed at an audience which is more capable. Any attempt to put a value on this would be purely speculative, but if the figures quoted above could be reduced by just 1 per cent, this would generate savings across the industry of £57 million a year.

[13] It is possible that some of these savings would be passed on to consumers in the form of lower prices or charges.

[14] Nielsen Media research 2005.

Costs to financial services industry

2.24 There are two main ways in which Money Guidance may have an adverse effect on industry costs: through a requirement to contribute to the costs of the service, and through the impact of greater "shopping around" by more knowledgeable consumers. The CBA estimates the cost of providing a 50 per cent contribution to funding the service at £390 million to £832 million NPV.[15] It is possible that savings on distribution costs through increased consumer "shopping around" may be mitigated to some extent by industry participants responding to increased competitive pressures from consumers. This would result, for example, in advertising and marketing spend being used to an increasing extent to demonstrate the relative attractiveness of a brand, so that expenditure was diverted from general engagement to more targeted promotion. This possible effect is noted, but not quantified, in the CBA.

Summary

2.25 The overall long-term effect of Money Guidance on the financial services industry shows benefits significantly exceeding costs, with costs in the range £390 million to £832 million NPV and benefits in the range £3,612 million to £5,514 million. The Review recognises that the benefits may not necessarily accrue evenly across the sector and that costs may be incurred before the main benefits start to be realised, but believes that the scale of benefits is such that those factors do not disturb the central assertion that Money Guidance will be of significant benefit to the industry as a whole. The Review also believes that it is incorrect to consider costs and benefits to the industry as if Money Guidance were an intervention that will disturb a fully effective market. Money guidance will help to make the market more effective – the market could be bigger, with lower unit costs, higher persistency and fewer write-offs. Margins may be lower but profits overall will be bigger, and these effects can be expected to apply across the board.

Impact on Government

2.26 The CBA estimates that the impact of a Money Guidance service on the Government would be as summarised in Table 2.4 below. It shows that quantifiable benefits to Government are in the range £4,650 million to £6,000 million NPV, while quantifiable costs are in the range £390 million to £839 million. The drivers of these impacts are set out fully in Annex 4 and summarised in the paragraphs below.

Table 2.4: Impact of Money Guidance on Government

£ million (2008 prices)	**Costs**	**Benefits**
Funding costs of GFA service[16]	£390m to £832m	
Impact on funding of debt agencies	Up to £7m	Not quantified – costs may fall if GFA successful
Pension credit savings		Up to £2,600m
Increased VAT receipts		£1,600m
Tax receipts from savings products		£450m to £1,800m
Other tax/benefit impacts[17]	Not quantified	Not quantified
Indicative total (excl. impact on other tax/benefits)	**£390m to £839m**	**£4,650m to £6,000m**

Source: Deloitte Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches.

[15] Chapter 6 covers the case for such a contribution and Chapter 7 describes how these costs are calculated.
[16] Costs of the service are discussed in Chapter 7.
[17] Other taxes/benefits include Housing Benefit, Council Tax Benefit, tax rebates on pension contributions, changes in tax on personal income and changes in corporation tax.

Benefits to Government

2.27 The UK Government could be expected to see quantifiable benefits from outcomes of Money Guidance in a number of ways, which are listed below. The outcomes could also help to promote wider long-term goals such as increasing self-reliance and independence in old age.

- Reduction in payment of pension credit: Pension credit currently accounts for expenditure of some £6.9 billion a year.[18] As an income-related payment, this expenditure will, over time, be affected by improvements in the household wealth of people over state pension age. The CBA estimates the pension credit savings that would result from the improvements in individual wealth described above at up to £2.6 billion in NPV terms, although savings are limited over the next ten years. The savings increase over time as clusters of the population mature and reach retirement. On the CBA assumptions, they reach a peak around 2060 at £310 million a year. However, the CBA notes that this may be an over-estimate: the pensions reform agenda, in particular auto-enrolment, means that more people may start to save in a pension even without Money Guidance.
- Other tax and benefit effects: The CBA does not quantify these in detail but notes that Money Guidance may be expected to have a number of other implications for tax receipts. VAT receipts may increase as consumer expenditure in aggregate rises – possibly by some £1.6 billion in NPV terms. Similarly, tax receipts on interest payments on savings may increase, as well as tax receipts on profits arising from expansion in the financial services industry. There could be increased tax receipts on annuity payments, which would be partly offset by tax relief on pension contributions. There may also be some impact on payment of Council Tax Benefit and Housing Benefit as a result of increases in general wealth.

Costs to Government

2.28 The CBA identifies the direct costs to Government of Money Guidance as being:

- the cost of part-funding the service (discussed in paragraph 2.24 in relation to industry impacts); and
- the knock-on effect in the short term of possible increases in the funding needs of debt advice agencies as a result of referrals from the Money Guidance service. These are put at some £7 million NPV. In the long term, the need for debt advice could fall as consumers become more capable

Summary

2.29 Although it is difficult to quantify wider tax-benefit impacts, the likely long-term reduction in spending on pension credit alone means that the quantifiable benefits to Government of a Money Guidance service far outweigh the costs.

Impact on wider society

2.30 The costs and benefits described above reflect the impact of Money Guidance on individuals', industry's and the Government's economic position – the effect on their balance sheet, or bank balance. Money Guidance could, however, be expected to have a number of additional beneficial impacts that are not primarily financial and which spread beyond the three sets of stakeholders analysed above.

[18] Source: DWP statistics www.dwp.gov.uk/asd/asd4/Table1.xls

2.31 Money worries are a known source of stress which, in turn, has a range of impacts – financial and social – on individuals and wider society. For example, one report estimated that stress related to debt problems caused 8.7 million lost working days in 2004, with a cost to employers of £497 million.[19] The report also noted that more than 250,000 people were absent for more than one month from work due to money worries. Reductions in money-related stress could therefore be expected to have benefits in terms of UK productivity, flowing from a reduction in working days lost each year through stress-related absenteeism. These benefits are difficult to quantify, but should not be disregarded. The CBA suggests they could lead to a saving for the UK economy of £16 million a year – £344 million NPV – in increased productivity.

2.32 Reductions in money-related stress could also have beneficial effects on relationships and family stability. Money difficulties are a known contributory factor in relationship breakdown. Positive changes in this area would benefit both the individuals concerned and wider society, through possible reductions in public expenditure attributable to the consequences of family breakdown.

CONCLUSION

2.33 This chapter has demonstrated that the likely quantifiable benefits of Money Guidance for all stakeholders significantly outweigh adverse impacts. These impacts are based on conservative assumptions about both the percentage of users taking action after receiving Money Guidance, and on the characteristics of those likely to use and benefit from the service. There is also a range of significant but unquantifiable benefits.

2.34 The Review believes that the analysis set out in this chapter clearly demonstrates that a national approach to Money Guidance is a sound proposition, not only for industry, but as a generator of significant gains to the public purse for the Government and as a driver for individual wealth and well-being. It confirms the correctness of the early presumption that the question for this Review to address was "how, not if". The following chapters of the final report focus on the "how".

[19] Debt Free Direct http://www.manchesteronline.co.uk/personalfinance/s/123/123594_debt_stress_takes_heavy_toll_on_workplace.html

3 Service content

Summary

This chapter sets out the Review's recommendations for the content of a national service providing Money Guidance. It discusses:

- the scope of Money Guidance in terms of the subject areas the service covers and its boundary with regulated or licensed credit brokering financial advice; and
- the skills required by advisers to deliver within this scope of Money Guidance.

The Review recognises the need to validate all aspects of its blueprint; therefore this chapter takes care to distinguish between conclusions based on evidence and hypotheses that require verification through the pathfinder.

SCOPE OF MONEY GUIDANCE

Subject areas

Interim report

3.1 The interim report described the Money Guidance needs of different groups of people based on an analysis of the financial vulnerability of UK adults. It found the vast majority of adults had an element of need for Money Guidance and could benefit from the Money Guidance service. For example, nearly all adults would benefit from financial terminology being translated into everyday language.[1]

Consumer research

3.2 The Review's target market analysis for Money Guidance was supported by the findings from consumer research. Research conducted with 1,011 adults suggested that they would use an "information and guidance service for personal finance issues" for money management topics, such as saving, planning for retirement and budgeting, as opposed to problem or crisis resolution.[2] Evidence from the prototypes also supports the need for a "preventative" service. A4e's "Money Fitness" service took more calls on savings, including saving for retirement, than any other subject, and on its website, savings and investment queries accounted for two-thirds of the enquiries.

[1] See Interim Report, Annex 1 – *Target market analysis for generic financial advice*, Jackie Wells, at http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm. A summary of the analysis is reproduced in Chapter 1.

[2] An online survey of 1,011 adults (who were non-users of the prototypes) was conducted in the areas where the prototype services were offered in December 2007. See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

3.3 The prototype services offered information and guidance on six broad subjects[3] and up to 16 different reasons for money guidance were recorded by face-to-face (F2F) and telephone advisers.[4] The evidence suggests that the prototypes covered a sufficient range of subjects. **The Review therefore recommends that the service needs to deliver information and guidance on:**

- **weekly or monthly budgeting;**
- **saving and borrowing;**
- **protecting and insuring the individual and the family;**
- **retirement planning;**
- **understanding tax and welfare benefits better;**
- **translating technical financial language into something people understand – "jargon busting".**

3.4 The subjects covered by the Money Guidance service will need to adapt over time to reflect significant changes in users' needs and changes in the financial services markets. For example, the prototypes did not generate many queries on equity release, but it was the second most common enquiry in the Citizens Advice Moneyplan pilots.[5] In practice, some users will simply want a question answered, but some will want more. The Review believes that Money Guidance can do both, and the service should help people achieve a wide range of positive outcomes, which are discussed in Chapter 2.

Boundary of Money Guidance

OFT and FSA regulation

3.5 The interim report developed a working definition of Money Guidance which distinguished it from advice which is regulated by the Financial Services Authority (FSA) and the Office of Fair Trading (OFT). The Financial Services and Markets Act 2000 (FSMA) requires the FSA to "authorise" advisers if they recommend buying, surrendering or changing a specific financial product from a specific provider. Some Money Guidance subjects, such as bank accounts or utilities, do not require advisers to be authorised, other subjects, such as mortgages, are partially regulated.[6] The Consumer Credit Act 2006 (CCA) requires the OFT to license advisers who recommend varying payments due under a regulated consumer credit agreement, such as a credit card debt. Most debt agencies hold this licence.

3.6 The Review believes that the boundary of the Money Guidance service can and should be distinguished from financial advice which requires advisers to be authorised and/or hold a consumer credit licence. One useful way of thinking about the distinction between Money Guidance and regulated or licensed financial advice is to consider the difference between guidance, which guides the user to the point where they can chose between a small number of options, and advice, which recommends a product with a specific provider or varying the terms of an existing agreement with a specific provider.

[3] Advice protocols on mortgages, savings (short-term and long-term), insurance, tax and state benefits, managing credit and the regulatory boundary are published in full at Annex 2 – *Regulatory boundary of generic financial advice*, Nick Lord.

[4] See Annex 1 – *Evaluating the prototype generic financial advice services*, Jackie Wells.

[5] Citizens Advice Moneyplan project provides generic financial advice through Independent Financial Advisers in Citizens Advice Bureaux. Funded by Barclays and AEGON UK, in conjunction with the Personal Finance Society, the project runs on a national basis for two years until March 2009. An interim report, evaluating the effectiveness of the project, was published in October 2007. See http://www.citizensadvice.org.uk/press_20070114

[6] See Interim Report, Annex 2 – *Generic financial advice – Defining the advice boundary of the service*, Nick Lord, available at http://www.hm-treasury.gov.uk/independent_reviews/thoresen_review/thoresenreview_index.cfm

Interim report working definition

3.7 The interim report described a working definition for the parameters of Money Guidance, summarised in Box 3.1, which was implemented in the prototype services.

Box 3.1: Interim report working definition: the parameters of the prototype services

Money Guidance will provide information and guidance to people on a range of financial topics, dealing with each topic to a consistent level of depth. It will translate financial jargon and equip people with questions to ask of providers.

Money Guidance will provide guidance on a suggested course of action. For example, it will suggest to a new parent "most people in your situation consider life cover". It will then provide information on the pros and cons of different types of protection and the consequences of not holding insurance then guide users towards appropriate comparison tables and/or signpost them to the regulated advice sector.

Money Guidance will signpost individuals to other services in the financial services sector, Government or the third sector depending on the needs of the individual.

Money Guidance will not make recommendations to buy, surrender or change a specific product from a specific provider.

Money Guidance will not provide in-depth information or guidance on complex debt, tax or benefit cases. It will provide budgeting guidance and signpost individuals to specialist agencies.

3.8 Before the prototype services were conducted it was unproven whether it would be possible to provide meaningful Money Guidance without straying into regulated financial advice. If it was possible, it was uncertain whether it would be worthwhile and would prompt people to take action.

3.9 The vast majority of respondents to the Review's interim report agreed that for Money Guidance to be of value, people must act on the guidance they receive, and they supported the principle of a distinction between Money Guidance and regulated advice:

"The distinction from the commercial sector must be very clear." **Investment Management Association response to interim report**

3.10 In research, two-thirds of people surveyed want a service that helps them "make their own decisions" and around a half agreed strongly that the service should "not sell or recommend specific products".[7] The majority of prototype users agreed with the distinction between the Money Guidance service and regulated financial advice:

"More of a service, as opposed to selling you something." **Male; 30s; Stoke; telephone/F2F user**

"A lot of financial advisers, you worry a little bit that they've got a vested interest in recommending a certain product to you." **Male; 30s; Home Counties; web/telephone user**

"She gave me advice on places that I could ... go to which would have all the information in table format, so I could find out which would be the best bank to be with ... She also gave me the number for a student loan department, so that I could contact them about repayments. And, although she didn't particularly offer me any advice, she kind of signposted me to a lot of other places that could offer me that advice." **Female; 20s; Midlands; telephone user**

[7] See footnote 2 for source. Care should be taken when interpreting responses to hypothetical questions.

3.11 But some users wanted the service to go further:

> "It should have been more in-depth; more specific – having products available to show me that could meet my requirements." **Male; 40s; North West; F2F user**

3.12 In research, around half the people surveyed agreed strongly with the idea of a service that "recommends the best product for me".[8] Taken together, the research suggests that while people want to be told exactly what to do, they do not want to be *sold* that solution. Furthermore, the Review believes that there is a point beyond which the Money Guidance service should not go in order to ensure that it is "sales free" as this could disengage those who could benefit most from Money Guidance.

Promoting action

3.13 The prototype services suggest that it is possible to provide Money Guidance outside current FSA and OFT regulation, and that the service can prompt the majority of users to take at least one form of action. Eight out of ten respondents took at least one action within a week or so of using the prototype services, and of these over half took specific action, such as buying a new product or speaking to a regulated adviser.[9]

> "What she gave me was the confidence … It was like Yes! I know what I'm talking about and I felt really comfortable … I was like, maybe there are other bank accounts I can check … so I opened another one, it was online banking, which I'd never used before … it's with the same bank but obviously there was a difference with regards to interest, so I'm actually better off. I know it's just a few percent, but still a few percent … is your lunch, your travel." **Female; 20s; London; F2F user**

3.14 The Review still believes that the boundary of the Money Guidance service can and should be distinguished from regulated and licensed financial advice. **The Review recommends that the pathfinder build upon the protocols the Review developed (at Annex 3) and utilise the full depth of Money Guidance, as described in (Box 3.2).** The boundary of Money Guidance is updated from the interim report (Box 3.1) to reflect the Review's recommendations for a partnership delivery model where accredited partners deliver a significant proportion of the service.[10] It also provides a clearer description of the purpose of guidance.

[8] See footnote 2 for source.

[9] Specific action is taken to mean people who have: talked to a new supplier such as an adviser, broker or bank; been to see another organisation; made a complaint to a company or the ombudsman; opened or closed an account. See Annex 1– *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

[10] Specialist and generalist accredited partners are discussed Chapter 4.

Box 3.2: The boundary of the Money Guidance service

Money Guidance will provide information and guidance to people on a range of financial topics, from jargon busting to long-term saving. "Generalist" accredited partners will provide guidance on the full range of Money Guidance topics to a consistent level; "specialist" accredited partners will provide in-depth guidance on a specific topic, such as pensions.[11]

Money Guidance will guide the user to the point where they can chose between a small number of options, and where they also understand the consequences of doing nothing.

Money Guidance will refer individuals to external services, whether in the financial services sector, Government or the third sector, depending on the needs of the individual. This includes referring people to regulated advisers or a crisis debt agency.

Money Guidance will not make recommendations to buy, surrender or change a specific product from a specific provider.

3.15 The scope of the service should be monitored as the pathfinder progresses to ensure it meets the needs of the majority of users and prompts action.

MONEY GUIDANCE ADVISERS

Prototypes

3.16 The feedback from users of the prototype services reinforces how important it is that the Money Guidance service is delivered with empathy and clear questioning skills:

"She was a skilful individual with business experience, and able to connect [Money Guidance] with her private financial experience." **Male; 40s; London; F2F**

"It was good talking to somebody because she seemed ... as if she could understand where I was coming from rather than talking above me." **Female; 60s; Midlands; telephone user**

A small minority of users (5 per cent) were disappointed with the experience and knowledge of the advisers:[12]

"I'm going to uni next year and wanted advice on student loans – she was unable to help me." **Female; 20s; Stoke; F2F user**

Mix of skills

3.17 The prototype services demonstrated the requirement for advisers to have a combination of technical knowledge and soft skills if they are to deliver a professional, competent and friendly service. The Review interprets soft skills as an ability to empathise and question, to go beyond a presented problem. Technical skills allow an adviser to respond competently to the needs of the user by providing accurate information and guidance.

[11] Different types of accredited partners are discussed Chapter 4.

[12] Five per cent of telephone and F2F users rated their satisfaction with adviser knowledge and experience as either poor or very poor (base: 134 recall interviews). See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

Training 3.18 Recruitment, training, skill setting and ongoing assessment and development of staff are essential to the success of the service offering. To recognise the level of technical competence Money Guidance requires, the Review has considered a range of options – from creating a new chartered-type qualification through to no formal assessment at all. The Review believes that a structured programme, which trains then assesses advisers for their technical knowledge, will ensure they reach a minimum standard before delivering Money Guidance. It does not believe a new professional qualification is required, and indicative evidence suggests sourcing the workforce will not be an issue.[13] A recruitment and training framework, which builds on the Financial Services Skills Council's National Occupational Standards for GFA and the advice protocols published alongside this report, should be developed in the pathfinder.[14] The Review recognises this is a significant task and believes resources should be directed accordingly.

Partners 3.19 The Review does not intend its recommendations to impact on the style or format of training within potential generalist and specialist partner organisations. Many run effective recruitment exercises that, although different in format, recruit the appropriate mix of skills. To ensure accredited partners reach minimum standards of technical competence, the central body should operate a technical competence assessment for all generalist Money Guidance advisers as part of the accreditation process. The central body should also make information and guidance on how to recruit and train Money Guidance advisers available to those partners who wish to use this resource.

CONCLUSION

3.20 This chapter has considered the most effective way of combining the scope of the Money Guidance service and the skills required of advisers into a service that will meet the needs of its users. It has recommended that:

- the service delivers information and guidance on six core subjects, from weekly budgeting to translating technical financial language into something people understand – "jargon busting"; and
- the boundary of the service can and should be defined outside FSA and OFT regulation;

and has concluded that;

- the central body should operate a technical competence assessment for all generalist Money Guidance advisers as part of the accreditation process to ensure a minimum standard of technical competence before Money Guidance is delivered; and
- a training and recruitment framework, which builds on the Financial Services Skills Council's National Occupational Standards for GFA and the advice protocols published alongside this report, should be developed during the pathfinder.

3.21 The next chapter describes the organisational model that would be the most effective way of combining content, channels and people into a service that will meet customers' needs.

[13] For example, National Debtline's current recruitment drive has generated 2,000 enquiries from which there were 500 applications; of these, 90 were brought forward to the assessment centre, from which there will be 45 interviews and 15 job offers. It should be noted that new entrants are in training for 9 months. In practice, NDL plan its recruitment needs at least 12 months in advance.

[14] Financial Services Skills Council published approved National Occupational Standards for providers of GFA in May 2006. The Review developed Money Guidance advice protocols which built on the Standards and are published in Annex 3 – *Advice protocols for generic financial advice*, Nick Lord.

4 Delivery model

Summary

This chapter sets out what the Review believes a national service providing Money Guidance should look like in order to realise the benefits described in Chapter 2.

The chapter recommends a partnership service delivery model to ensure Money Guidance builds on, rather than duplicates, the strengths and capacity of organisations that currently deliver elements of Money Guidance. The chapter discusses the respective roles and responsibilities of the central body and its delivery partners in a partnership-based service, including accreditation arrangements to ensure that the delivery of Money Guidance is consistent across a range of partners.

THE INTERIM REPORT

4.1 The interim report considered a spectrum of approaches for Money Guidance and concluded that the most effective service delivery model would be based on a hybrid/partnership approach. In this model the service is led by a central body but is largely delivered by and through a network of external organisations. This approach would allow the service to build on the experience and expertise of existing organisations already providing advice akin to Money Guidance, and/or with access to the groups the service most needs to target.

4.2 In coming to this conclusion, the interim report noted that effective accreditation arrangements would need to be put in place to ensure a consistent minimum standard of guidance is achieved across the range of partners.

4.3 The interim report sought views on a number of questions related to this proposed delivery model for Money Guidance[1]:

- What sort of accreditation and training would be the most effective way of ensuring accuracy, quality and consistency of GFA information and guidance?
- Which organisations could play a role in the hybrid model, either on behalf of the main organisation under a contractual arrangement, or as a jointly labelled accredited partner.
- How could commercial providers benefit from delivering GFA in their premises? For example, does the delivery of GFA in a commercial setting improve the levels of motivation to take action and execute a plan?

THE PARTNERSHIP APPROACH – RESPONSES TO THE INTERIM REPORT

4.4 No one who responded to the interim report dissented from the central proposition that the partnership approach represented the right way forward.

[1] Then described as generic financial advice (GFA).

"We agree with the Interim Report that the hybrid approach would make it possible to adopt a partnership approach in which the central body works with a wide number of external partners to deliver centrally agreed messages. We also agree that such an approach would minimise the risk of the new central body duplicating existing services while at the same time encouraging a range of new GFA providers to enter this field." **National Association of Pension Funds response to interim report**

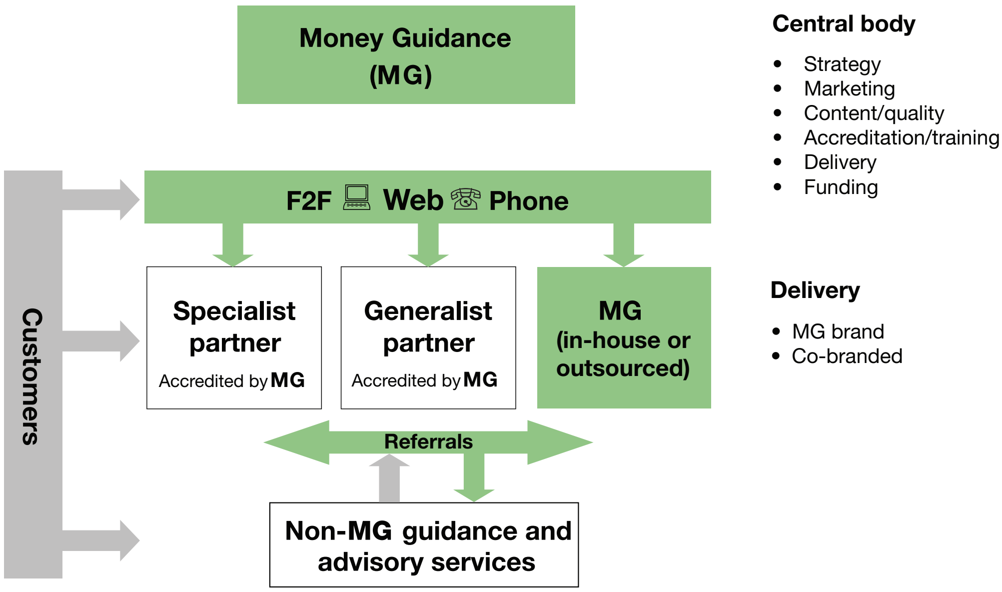
"Building on the existing landscape and engendering a partnership approach to referrals and signposting is a practical way forward. The development of a national GFA service must not be about bureaucracy building, but a pragmatic, cost effective and sensitive approach to meeting individuals' demand for help in managing their personal finances during their lifetime." **Investment Management Association response to interim report**

A MODEL FOR DELIVERING MONEY GUIDANCE

4.5 Chapter 3 has described the content of the Money Guidance service – the "product" that the service will need to deliver. That product needs to sit at the heart of an organisation that has both a strategic function (defining the messages and the product) and a delivery function (providing the Money Guidance service to individuals). This chapter focuses on service design – covering strategy and delivery and how the bodies responsible for them should relate to each other and to users. The governance arrangements for the service – who or what the "HQ" or central body should be – are considered in Chapter 6.

4.6 **The Review recommends that a partnership model is the most appropriate way of delivering its vision for Money Guidance.** Figure 4.1 sets out a high-level representation of the components of a Money Guidance service delivered using the partnership model.

Figure 4.1: Money Guidance – Operating Model



Note: "Money Guidance" (MG) is not the brand but is used for illustrative purposes

THE STRATEGIC ROLE

4.7 Delivering a coherent and coordinated approach to Money Guidance requires a central strategic body. In Figure 4.1 this is represented by the solid green box at the top of the diagram. The following paragraphs consider what such a body will need to do to deliver its likely objectives. They focus on the functions the central body will need to perform – the most appropriate structure for such a body is discussed in Chapter 6.

4.8 The Review believes that the key strategic objective of a Money Guidance service should be to deliver the high-level outcomes of Money Guidance described in Chapter 2. The main task of the central body will be to determine and implement a strategy to deliver these objectives. The Review believes that the central body should be responsible for the overall strategy of the Money Guidance service. The strategy should include:

- marketing to and engaging with the UK population, including developing a brand for the service;
- determining the scope, content and quality (including quality control, monitoring and evaluation) of the service;
- managing the funding of the service;
- working with and accrediting partners to deliver the service;
- providing training for partners where necessary; and
- providing a support function for staff.

4.9 A number of responses to the interim report stressed that the partnership approach adopted for service delivery needs also to be embedded in the central body's policy and strategic functions as well as its operational activities. This could, for example, mean bringing key partners from the financial services industry and the third sector into the Money Guidance service's formal governance arrangements.

"... organisations required to contribute must be involved in any oversight board. And there must also be adequate representation of those who provide financial services to ensure that the market which meets people's needs is properly understood."

Association of British Insurers response to interim report

THE OPERATIONAL ROLE

4.10 The operational arm of the Money Guidance service is about the day-to-day operation and management of the channels and organisations through which Money Guidance is delivered to customers. In Figure 4.1, the operational role is represented by the green bar (representing the channels) and the square boxes (representing the organisations) in the middle of the diagram.

Delivery channels

4.11 The prototype Money Guidance services described in Chapter 1 purposefully set out to test three channels for delivering Money Guidance: web, telephone and face-to-face (F2F). These are the main ways in which most analogous services interact with the public and the Money Guidance service will need to use these as a minimum. A mix of channels will enable a universal service to appeal to different types of people and needs. **The Review therefore recommends Money Guidance should be delivered through a multi-channel approach comprising telephone, F2F and web-based service.**

4.12 The evidence gathered by the Review suggests that only offering Money Guidance as a web-based service would not be the most effective way to engage the estimated 19 million people who could benefit from it, 48 per cent of whom do not have access to the internet at home.[2] However, the prototype services demonstrated the initial appeal of online Money Guidance, and many financial services companies' websites provide elements of Money Guidance, for example Norwich Union/AVIVA's "Six-Steps" retirement planning tool. Over time, technological change could make new delivery media more popular. Interactive television, podcasting and text messaging are all examples of new media that should be used to deliver Money Guidance. The Review believes that the service needs to be alert to the opportunities of new technology to find as many ways to interact with users as possible.

Comparison tables

4.13 For a service that presents choices to its users and prompts them to take action, tables comparing a range of financial products are an important tool. The Resolution Foundation[3] found that the comparison table market is growing by 30 per cent a year. It also found that many sites fail to explain the commercial relationships they have with product providers. The Review believes that effective Money Guidance should also provide an explanation of how to use such tables appropriately and that the pathfinder should develop a fully operational Money Guidance website, including access to impartial comparison tools.

Delivery bodies

Delivery by the central body

4.14 In Figure 4.1, delivery by the central body is represented by the green box at the top of the diagram. The partnership model does not exclude the direct provision of services by the central body where this is the most cost-effective approach. For example, it is expected that the central body would own the Money Guidance website, as this would be key to the service's brand and marketing. Similarly, there is a strong case for any national telephone service to be operated under a national Money Guidance brand.

4.15 The central body could deliver services either by directly employing staff or by outsourcing to external providers. Outsourcing differs from partnership delivery in that, from the user's perspective, they are dealing with the Money Guidance organisation itself.

Role of partners

4.16 Using the partnership model, a significant proportion of the Money Guidance activity would be delivered by accredited partners. In Figure 4.1, partners are represented by square white boxes in the middle of the diagram.

[2] See Annex 7 – *Mapping generic financial advice*, Experian.

[3] Resolution Foundation – *Compare and Contrast: How the UK comparison website market is serving financial consumers,* October 2007: http://www.resolutionfoundation.org/pdfs/research_report_webcomparison.pdf

4.17 The Review expects that Money Guidance delivered by partners would be jointly branded – users accessing the service via a partner would be aware that they were interacting with the named partner and receiving Money Guidance delivered to the standards assured by the service's accreditation arrangements (discussed in paragraphs 4.37 to 4.39). Standards would need to be met in relation to both the content of the service and the way it is provided. So partners, as well as the central body, would need to observe the principles set out in the Executive Summary.

4.18 Jointly branded delivery by partners is likely to be most appropriate for the F2F component. Organisations that already have a strong brand or local presence are more likely to be able to establish rapidly the kind of rapport with clients that is necessary for F2F interactions. F2F partners may also, of course, already have a web presence or deliver some services by telephone. Where that is the case there would be nothing to prevent them also using those channels to provide Money Guidance, as long as they do so in line with the service's standards.

4.19 The following paragraphs consider three categories of potential partner:

- generalist partners;
- specialist partners;
- commercial partners.

The "generalist partner"

4.20 The Review believes that, for the service to be effective, generalist partners will need to be able to act as a "one-stop-shop" for guidance to a specified level across the whole range of topics identified in Chapter 3 as key to Money Guidance. Many users will need help across a range of interlinked topics and should be able to rely on receiving holistic guidance that reflects all those needs, regardless of which partner they use to access the service. Therefore, subject to paragraph 4.21, to gain accreditation as a Money Guidance partner an organisation will have to show that they can cover all the core topics listed in Chapter 3, paragraph 3.3.

The "specialist partner"

4.21 The Review recognises that some users will have needs in specific areas that go beyond what the generalist service could reasonably provide. To deal with these more complex needs the service should foster a network of specialist partners to which customers can be directed or referred when necessary. There are many organisations that have the capacity to develop into specialist Money Guidance accredited partners, such as The Pensions Advisory Service (TPAS) and TaxAid. For example, where users have a specific pensions problem they would be able to contact a specialist partner direct, as they do now.

Scope for commercial partnerships

4.22 The Review believes there are many third sector organisations that have the potential to be Money Guidance delivery partners. We also believe that there could be scope for delivery by commercial entities. There are arguments that delivery in a commercial environment would have a positive impact on the level of motivation to take action. At the same time it would be necessary to ensure that delivery by a commercial organisation could meet the principles of impartiality etc. The potential role for the commercial sector in engaging people in a Money Guidance service is discussed in Chapter 5.

4.23 Recent research commissioned by AXA suggests that people need a high level of motivation to take action, in particular when there are several steps and hand-offs in the engagement process.

AXA research: turning intentions into action

AXA commissioned Decision Technology, the experimental psychology specialists at the University of Warwick and University College London, to conduct an experiment among 1,200 adults during November 2007 to investigate the behavioural aspects relevant to the provision of generic financial advice (GFA).

The research found that people who commit to taking action later normally do not take that action. This effect will reduce the effectiveness of any hand-off approach compared to a scenario where people can act there and then. People also benefited from receiving motivation and help with interpreting the information they received.

4.24 Providing Money Guidance in a commercial environment could give consumers the opportunity to act immediately. Although consumers have told the Review they want access to Money Guidance to be convenient,[4] they also want the guidance to be impartial and independent. But the majority (68 per cent) are not overly concerned about who is behind the service as long as it works and is impartial:[5]

"It doesn't really matter so long as somebody's willing to give you their time." **Female; 60s; Midlands; telephone user**

4.25 It was not possible to test the delivery of Money Guidance in a commercial environment during the prototypes. Respondents to the Review's interim report agreed that this should be tested in the future, so that the Review can understand customers' perceptions of impartiality as well as the potential benefits to both them and the financial services industry.

"It would be important to carry out further work on consumer perceptions of independence before allowing a GFA service to be delivered in a bank, for example". **Which? response to interim report**

4.26 There are a number of encouraging recent developments in the commercial sector which suggest that commercial partnerships could be possible:

[4] See Thoresen Review Interim Report, Annex 3 – *Summary of outcomes of consumer focus groups*, The Value Engineers, at http://www.hm-treasury.gov.uk/media/9/E/thoresenreview_annex3.pdf

[5] An all-adult survey of 1,011 people (who were non-users of the prototypes) was conducted in the areas where the prototype services were offered in December 2007. See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

Legal & General

Legal & General is committed to the principle of Money Guidance and is actively exploring ways in which it might be able to make use of its extensive distribution arrangements and network of financial advisers to potentially participate in the delivery of Money Guidance during the pathfinder. Options under consideration include the incorporation of Money Guidance in the training programme for its financial advisers and the secondment of advisers and trainee advisers to a Citizens Advice Bureau or a branch of A4e's offices, such as one of its LearnDirect centres. Other options based around the delivery of Money Guidance by Legal & General advisers in a commercial environment are also under consideration.

Royal Bank of Scotland extending MoneySense

RBS is extending its Money Guidance-type service into telephone delivery and is trialling F2F Money Guidance in both branch and mobile settings. It has also developed an internet-television capability, which will be available on the RBS Group's websites, including NatWest. A media campaign supporting these initiatives will be launched in March 2008.

In partnership with the Consumer Credit Counselling Service (CCCS), RBS (under its NatWest brand) is introducing a series of in-branch evening seminars dealing with a wide range of subjects: "Managing Your Money" (with the FSA), "Balancing the Household Budget", "The Financial Implications of Starting a Family" and "The Financial Implications of Buying a House".

From mid-April 2008, RBS will trial a mobile advice unit parked in areas of high visibility, offering a 30-minute financial "health check" using a website tool developed in conjunction with the CCCS. People will have the chance to ask any questions on a one-to-one basis with CCCS and NatWest advisers and will leave with a personalised "action plan".

Across its Money Guidance-type activities, RBS has developed advice protocols to ensure that the MoneySense programme remains separate from any commercial activity. Separating Money Guidance from sales is important for RBS, so employees involved in the programme will not make any specific product or service recommendations during these activities to ensure that they remain independent.

To extend the reach of the MoneySense programme, Tesco Personal Finance (TPF) – RBS' joint venture with Tesco – is scheduled to adopt MoneySense content, accessible directly from TPF's website. Given RBS' 14 million plus customers and TPF's own extensive customer base, through this initiative MoneySense and Money Guidance-type advice will be accessible by a substantial part of the UK's adult population.

4.27 The pathfinder should further test whether impartial guidance can be provided through or with commercial outlets.

Referrals

4.28 The Review believes the success of the model will partly depend on its ability to manage referrals efficiently and effectively. Referrals could be internal or external. Internal referrals take place between different delivery channels and between centrally run services and accredited partners. External referrals take place to and from non-accredited agencies – such as National Debtline (NDL), the Samaritans, Relate, etc. – and to regulated advice. Referrals are represented in Figure 4.1 by the arrows.

4.29 The Review believes that referrals will be most effective when they are more than a signpost to another provider or type of service. Where users are referred to specialist sources of guidance, Money Guidance should have a role in helping them to use that guidance as capable and confident consumers. For example, when the service refers a user to comparison tables, it should provide guidance on how to interpret the tables and the key features to look out for. In the case of referrals to a source of regulated advice, the service should equip people with the questions to ask, and tell them about the paperwork they need to take to that type of discussion.

4.30 In the prototype services, 29 per cent of callers were referred to other services, and around 50 per cent of those surveyed said had followed up the referral within a week or so.[6] Referral rates in a fully functioning Money Guidance service may be lower. The low numbers of callers to the prototype services meant it was not possible to establish the appropriateness of the referrals, but observational evidence suggests that in some cases callers might have been referred out of the services unnecessarily because advice protocols were not fully utilised. Lessons learned from testing the advice protocols in the Money Guidance prototype services are discussed in more detail in Annex 3.[7] The Review accepts all the conclusions in that annex and believes that the delivery phase of the pathfinder should refine the criteria for recommending users swiftly and appropriately to other sources of guidance, including specialist accredited partners.

4.31 If people have to take further action to meet their needs, this could adversely affect motivation and there could be a risk of "losing" people as they fail to contact the organisation or other source of guidance they are referred to. Technology could be used to reduce this risk. Facilities exist to enable telephone calls to be transferred seamlessly, and text messaging could be used to remind people of contact details after F2F delivery. To maintain people's levels of motivation and maximise the potential of Money Guidance to deliver benefits, the service should use technology to break down the barriers associated with internal and external referrals. The role of technology in engaging people in Money Guidance is discussed further in Chapter 5.

Practical issues for the partnership approach

Partnerships and geographical coverage

4.32 If a successful service is to be based on the partnership model, there will need to be sufficient capacity, across a range of potential partners, to deliver the service nationally in the places where it is needed most. The Review commissioned Experian to geographically map commercial and not-for-profit organisations who currently provide elements of guidance. In addition, they mapped the location of a range of organisations which could potentially provide infrastructure for Money Guidance.

Partnership, capacity and funding

4.33 The map of current provision suggests there are many organisations which are geographically well-placed to be partners, but it does not identify whether those organisations have capacity within their current structures to deliver part of the core Money Guidance service. The Review believes that the Money Guidance service must be additional to existing provision, not a substitute for other activity. It therefore follows that the central body will need to provide additional funding to those partners it selects to form part of the core service. This could be done either on a grant or a contractual basis, with safeguards in either case to ensure value for money and quality. It is likely that having – or acquiring – accreditation to provide Money Guidance would be a condition of receiving funding.

[6] The prototype services agreed specific referral routes using special telephone numbers with TPAS, NDL and CCCS: 28 prototype users were referred to TPAS, who reported receiving 7 calls and 55 web hits; and 33 prototype users were referred to NDL and CCCS, who reported receiving 23 calls and 177 web hits.

[7] Annex 3 – *Advice protocols for generic financial advice*, Nick Lord.

4.34 The fact that an organisation is not funded by the central body should not preclude it from being part of the Money Guidance partnership "family" if it meets the accreditation standards and has the capacity to deliver Money Guidance without funding from the central body or is able to obtain funding elsewhere. Indeed, the accreditation of non-funded partners ought to be positively encouraged as a means of widening the coverage of the service. It is likely that any commercial partners would come into the category of unfunded partners.

Conclusions on the operational model

4.35 The interim report acknowledged that delivering in partnership, while correct in principle, is not an easy option. Building real partnerships takes time and effort. This is echoed by organisations with experience of delivering in partnership. Citizens Advice, whose impressive reach and brand recognition make it a likely key partner for the Money Guidance service, has made some observations about the features of successful partnerships and the factors that can cause them to fail, which are set out in the box below. One of the objectives for the pathfinder should be to validate the hypotheses contained in this chapter about delivering Money Guidance through partnerships.

Partnerships work if:

- the ethos and objectives of the respective partners align well and there is respect and trust between the parties;
- aims are clearly defined, accountabilities are clear and leadership is strong;
- there is documentation setting out inter-organisational relationships, terms of reference, protocols, plans and procedures, with named individuals responsible for decisions;
- careful groundwork is done to ensure all parties understand the goals, structures and organisational culture of the others so that inaccurate assumptions are not made;
- there is understanding of, and buy-in to, the joint initiative at all levels, not just at senior level;
- good communication channels are established early and maintained;
- there is accurate and effective budget management and regular reporting;
- there are effective governance arrangements, with documented procedures for meetings, servicing the board, membership and so on.

Partnerships can fail if:

- not enough groundwork is done to establish a real understanding between partners;
- methods, targets etc. are not clearly defined and fully disseminated;
- communication is not well maintained at all levels;
- it is not clear where responsibilities and accountabilities lie.

Source: Citizens Advice

QUALITY CONTROL AND ACCREDITATION

4.36 Effective accreditation arrangements will be key to the success of the partnership model. Accreditation is a mechanism that enables users of the service to recognise organisations that have proved their ability to deliver Money Guidance to the required standard and according to the principles in the Executive Summary. Accredited partners would be expected to use the same protocols and decision trees as centrally provided services. Organisations that have earned accreditation will be able to use a Money Guidance brand alongside their own and to provide and market Money Guidance alongside their usual suite of services.

Accreditation models

4.37 Respondents to the Review's interim report suggested that an accreditation scheme for partners should incorporate:

- **consistency** – there should be a minimum standard of outcome (in terms of the content of the guidance and the principles of the service) for consumers across all accredited partners; and
- **flexibility** – partners could vary the style and tone of delivery and the training of advisers to meet the needs of their client base and staff.

4.38 The Review has examined a number of models for accreditation schemes and consulted with stakeholders about what might work best for Money Guidance and has come to the following views:

Likely features of Money Guidance accreditation

- Partners should be accredited at an organisational level, not at the level of individual advisers.
- The accreditation process should require applicants to demonstrate that their advisers have the competencies to provide guidance to the centrally determined standard.
- The accreditation model should allow partners the flexibility either to design and operate their own training programmes for advisers, or to utilise centrally produced training material.
- Requirements for gaining accreditation should include using agreed Money Guidance advice protocols, following appropriate hand-off and referral procedures, and holding liability insurance.
- Where potential partners have an internal accreditation process – e.g. for local branches of a national organisation – Money Guidance accreditation should complement this and as far as possible avoid duplication of requirements.[8]
- Following initial accreditation there should be arrangements to ensure that partners meet the standards on a continuing basis.

4.39 The Money Guidance accreditation arrangements will need to ensure that minimum standards are met by all partners, and that ways of achieving this should be further developed in the pathfinder phase. It is essential that partner organisations be involved in that process.

[8] For example, Citizens Advice delivers across 440 independent member Bureaux, each with its own board of trustees. Consistent advice is achieved via a member scheme, which sets out the standards expected of all Bureaux. There is an audit of the quality of Bureaux advice every three years.

CONCLUSION

4.40 This chapter has considered the organisational model that would be the most effective way of combining content, channels and people into a service that will meet customers' needs. The Review recommends that a partnership model is the most appropriate way of delivering the vision for Money Guidance.

4.41 The Review further recommends that Money Guidance should be delivered through a multi-channel approach – comprising a telephone, face-to-face (F2F) and web-based service.

4.42 The Review believes that:

- a central body should be responsible for the overall strategy of the Money Guidance service, with the user at its heart;
- the service needs to be alert to the opportunities of new technology to find as many ways as possible to interact with the users of the service;
- the pathfinder should develop a fully operational Money Guidance website, incorporating access to impartial comparison tools;
- the pathfinder should test the delivery of Money Guidance in a commercial setting;
- the delivery phase of the pathfinder should refine the criteria for recommending users swiftly and appropriately to other sources of guidance, including specialist accredited partners;
- to maintain people's levels of motivation and maximise the potential of Money Guidance to deliver benefits, the service should use technology to break down the barriers associated with internal and external referrals; and
- the requirements for accreditation should including defining minimum standards for Money Guidance and the ways of measuring quality should be further developed in the pathfinder phase. It is essential that partner organisations be involved in that process.

4.43 This chapter and Chapter 3 together describe what a Money Guidance service would look like and what it would do. The next chapter considers how the service can engage with potential users to persuade them to take action.

5 Engaging users of the Money Guidance service

Summary

The Review believes that engaging people with the need to plan their finances and making people aware of the Money Guidance service as a way of meeting those needs will be challenging, but achievable. This chapter brings together the Review's evidence base and sets out what it believes are the key components of a successful engagement strategy.

The reluctance of many people to engage with their finances is well known and is one of the most important causes of poor financial capability. The extent of this reluctance is such that it is likely to be a significant task to get people to contact the Money Guidance service, even if there are real benefits to them in doing so, which, when prompted, they acknowledge. This will be particularly true at the outset of the new service, before knowledge of its existence has become widespread.

This chapter sets out the Review's findings, and where appropriate makes recommendations on each of the core elements of user engagement. Given that the Review is building a high-level blueprint, it has not attempted to design a detailed engagement strategy. The Review recognises the importance of the pathfinder in creating such a strategy and in testing its evidence and hypotheses to ensure the service successfully engages with those who could benefit the most from Money Guidance.

CHARACTERISTICS OF MONEY GUIDANCE USERS

Understanding the user

5.1 The interim report described the groups of people who could benefit the most from Money Guidance, based on detailed analysis of the UK population's financial vulnerability. A summary of this analysis is in Box 1.2 in Chapter 1.

5.2 The Review wanted to extend its understanding of the estimated 19 million adults who could benefit the most from the Money Guidance service. It asked Experian to map their likely geographical distribution and to create customer insight pen portraits to help to bring to life the different groups within the 19 million by identifying factors such as their affinity to different brands, preferred methods of communication and use of technology. This type of customer segmentation is a good starting point from which the central body can target its resources efficiently to engage those users who need access to the service most.[1]

[1] Annex 7 – *Mapping generic financial advice*, Experian.

THE CHALLENGE

5.3 The Review accepts that it is likely, at least initially, to be challenging to get people to use a Money Guidance service. Many people do not readily engage with the financial issues in their lives – forward planning, becoming resilient to adverse financial shocks, etc. – that Money Guidance is designed to help. Evidence from a wide range of sources[2] suggests that fear of complexity and inertia are the main barriers to engagement. The Money Guidance service faces three core challenges:

- to make people aware that they have financial issues that can be dealt with and give them confidence to face up to them;
- to make people aware that the Money Guidance service is a good first place to take these needs; and
- to prompt people to act and make better financial decisions.

5.4 Although the task should not be underestimated, the Review believes that these challenges can be met through effective branding, marketing, awareness and engagement activity, and it has further evidence of the demand for a Money Guidance-type service.

Further evidence of demand

5.5 When prompted, 75 per cent of adults surveyed said they would use a "national information and guidance service for personal finance issues". Of those, over 25 per cent felt they would be very likely to use this service. Even if only one-third of those who said they were very likely to use the service actually did so in one year and this experience was spread across the UK adult population, this would suggest a level of demand of some 4 million users per annum.[3] Potential demand for Money Guidance is similar across most demographic sub-groups, and the majority of respondents felt they would use a number of channels several times a year.[4] Managing demand is therefore likely to be an important element in the running of the Money Guidance service once it is established, and this is discussed in paragraphs 5.37 to 5.42.

5.6 To allocate resources efficiently, the Money Guidance service needs measurable targets for its engagement activity to ensure it achieves its stated objectives. These targets need to be firmly based on the outcomes of the service outlined in Chapter 2. Engaging users is not worthwhile unless they change their behaviour and habits and take action as a result of the information and guidance given.

5.7 The remainder of this chapter outlines what the brand, engagement approach and demand management techniques might be that the pathfinder will need to develop further and deliver. Engagement activity will not be successful unless the service delivers what it promises in a competent and professional way. Service delivery and design are discussed further in Chapters 3 and 4.

[2] *Turning Good Intentions into Actions: Experiment results analysis*, by AXA in association with the University of Warwick, November 2007, and *Financial Advice – what consumers want*, research conducted by Opinion Leader for AEGON, February 2007.

[3] However, the Review recognises that people might not spontaneously behave as they say they would, so validating the Review's hypothesis about engagement remains important despite these encouraging findings.

[4] See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

THE BRAND FOR THE MONEY GUIDANCE SERVICE

The brand values

5.8 The Review has not set out to design the brand for Money Guidance, but instead sets out what it believes the "ingredients" of the brand should be. The Review believes that any brand needs to have at its heart the principles of the service outlined in paragraph 1.6. These core elements of the service proposition should be clear from the brand, in particular the fact the service is "on my side" and "sales free". The Review's evidence suggests that a brand that does not deliver on these values will not be successful.[5]

5.9 Furthermore, the evidence suggests that the brand needs to be developed for universal appeal. The need for Money Guidance is evident across the income range, with low, medium and high earners all showing an interest in using the service. Second, the Review believes a service that appears "targeted" at those who could benefit most could actually deter these groups from engaging – a universal service is more likely to attract those who need it most.

What should the brand be?

5.10 The prototype services provided clear evidence that Money Guidance branding and positioning had a tangible impact on the types of people using the service, the nature of their enquiries and the action they took. For example, Consumer Direct (CD) provides practical advice on all kinds of consumer issues – from problems with cars to faulty household appliances. It delivered the Money Guidance prototype through its existing brand. Almost half the calls to the CD prototype concerned complaints about a financial product or provider.

5.11 CD customers were specific in presenting complaints about products or providers. On occasion, however, the advisers were able to open up the discussion to a wider range of Money Guidance needs. This is borne out in the evidence that many of those who made complaints since contacting the prototype had discussions with new suppliers. Around one-third of the 37 respondents (across both prototypes) who claim to have made a complaint since contacting the service are very likely to talk to a new supplier. This suggests that the pathfinder needs to explore ways of ensuring Money Guidance advisers go beyond the initial problem that users present.

5.12 The Review believes that existing brands have specific attributes, which may not fully encapsulate the aims and principles of the Money Guidance service. **The Review recommends that a new brand is necessary to deliver an effective Money Guidance service.** The brand should be designed based on the Money Guidance principles and universal reach of the service. This should be a key element of the development phase of the pathfinder. A discussion on how co-branding would work is included in Chapter 4.

ENGAGING WITH USERS

5.13 Money Guidance is likely to have universal appeal, but a "one size fits all" approach to engagement and marketing will not be effective. Indeed, the Review is aware that the resources of the Money Guidance service need to be targeted at those who could benefit most, as they are less likely to proactively seek out the service.

5.14 Unsurprisingly, those who are more capable and confident are more likely to access the Money Guidance service. Consequently, fewer resources will be required to attract them. This will be a universal service and there will be real benefits to these individuals from using the service, both for themselves and others, as they pass on the message that this is a service worth using.

[5] See Annex 5 – *Geared for action: Developing the generic financial advice service*, NSMC, p. 14.

5.15 As a consequence, this section sets out what the activities to target the service might be. It does not seek to define a marketing strategy, but rather sets out what needs to be done to make people aware that they have a need and that the Money Guidance service can satisfy that need.

Prototype learning

5.16 The process of building and running prototype Money Guidance services and listening to users' experiences has provided an insight into how the service can engage people. The research[6] found that:

- some users were at tipping points in their lives, where events prompt a review of their finances – for example, having a baby or approaching retirement;

> "With the baby coming soon, I was quite keen to get my finances in order and to make sure that any savings I had are in best possible place." **Female; 20s; Stoke; web/telephone user**

- some users had a specific need or issue that they wanted addressed; and

> "I just feel confused about money … I don't know where to put my money any more." **Male; 30s; Stoke; telephone user**

- there is a group that feels they should be doing something about their financial arrangements and planning but have been put off.

> "It's something that I've looked into before, but there's often so much jargon … and there's so much information. So, being able to speak to someone over the phone and her signposting me onto other organisations was exactly what I really wanted." **Female; 20s; Midlands; web/telephone user**

The components of a multifaceted approach

Raising awareness

5.17 To reach the potentially diverse user base, the **Review recommends that the Government build a marketing strategy which is multifaceted to appeal to the different groups the service needs to reach.** The Review suggests that the strategy encompasses:

- national and regional marketing campaigns and engagement activities;
- trusted intermediaries; and
- social networks and viral marketing.

5.18 Each of these will either "push" or "pull"[7] a user towards the service and encourage them to engage with it in a positive way. In addition, the Review is keen to emphasise that the Money Guidance service's engagement strategy should not only promote its existence, but also proactively broadcast messages on good financial habits and behaviour. A successful model has been the Department of Health's "5 A DAY" information campaign.

[6] See Annex 1. *Evaluation of the prototype GFA services* – Andrew Smith and Midge Clayton.

[7] "Push" is proactively disseminating the Money Guidance message through the use of trusted intermediaries, while "pull" is using marketing techniques to bring people to the service by using a range of engagement "hooks".

Department of Health's "5 A DAY" campaign

"This programme was instigated to increase consumption of fruit and vegetables in England. … By consistently utilising a simple, memorable phrase on multiple levels and through varied means of communication, the programme has been successful in achieving high recognition of the logo and in raising awareness in the general population of the need to consume more fruit and vegetables. The Food Standards Agency Consumer Attitudes Survey found that knowledge of the '5 a day' message had increased from 43% in 2000 to 67% in 2005."

Source: *It's Our Health! Realising the potential of social marketing*, NSMC (2006).

Life stages and triggers

5.19 The Review is aware that any activity that links into life stages (from having a child through to marriage or divorce) or key trigger events (such as an increase in the interest rate or a natural disaster) represents an opportunity to engage people at a time when the service will be most relevant to them. The first of these can form part of the "planned" marketing activities; the second will give rise to "opportunistic" marketing events.

National and regional activity

5.20 Certainly at the outset of creating the Money Guidance service, there is a need to make potential users of the service aware of its existence and mass media can be very successful at this. The Review also believes that mass media can be very effective in terms of delivering messages and helping to change behaviour in the longer term. The Department for Transport's "Think!" campaign illustrates how successful this medium can be.[8]

5.21 Television could play a big part in the engagement strategy, for example from the point of view of advertising or the positioning of the service within a storyline for one of the popular soap operas, or even the creation of a Money Guidance-themed "lifestyle" series. The discussions and evidence the Review has seen indicate that the TV companies and their viewers would positively receive such an approach to Money Guidance. As such, these types of innovative approaches are worth examining in the development phase of the pathfinder, as it would reach clusters of the population that are receptive to messages from this source, which include those people likely to benefit most from Money Guidance.

5.22 The Review is aware that such mass media, if used effectively, can prove to be effective and offers value for money. However, this alone will not attract all those who could benefit most from Money Guidance. Regional marketing, which could include using local newspapers, television and targeted leafleting, should also be explored. A4e's "Money Fitness" prototype attracted approximately half of its users through Money Guidance marketing activity or referrals from friends.[9] An example of another approach that could work well is the regional campaign run by the Financial Services Authority (FSA) in Brighton:

[8] See Annex 5 – *Geared for action: Developing the generic financial advice service*, NSMC, p. 14.

[9] See Annex 1 – *Evaluation of the prototype generic financial advice services*, Jackie Wells.

Brighton Money Week

The FSA organised Brighton Money Week in conjunction with Brighton and Hove Council and the welfare team from Brighton University, plus staff in libraries, children's centres and schools.

During Brighton Money Week a series of financial capability promotional events was held. These events included free seminars for council staff, training for local youth workers and the distribution of financial capability materials in local libraries, children's centres (at Family Finance Mornings also attended by representatives of local Family Information Services and Jobcentre Plus), university campuses and the railway station.

The event offered free and completely impartial information on money to local people with the intention of raising awareness of financial capability. It tested the feasibility of running regional Money Weeks, where financial capability events could be linked, as well the impact of combining communication activities.

5.23 The Review believes that such initiatives could act as an important way of both raising the awareness of the Money Guidance service and providing information and guidance to the population. It also would help to build a coalition of different intermediaries in a specific location to galvanise them into helping their communities.

Trusted intermediaries

5.24 The Review has always maintained that trusted intermediaries would play an important role, both in helping to raise awareness of the service and as a way of imparting information and guidance to users, especially to those who would benefit most from the service.

5.25 The Review believes that it will be important, if the Money Guidance service is to reach a diverse user base, to make sure that intermediaries who interact with potential users are aware of the service and market the service. Examples could be libraries, children's centres, adult literacy education centres and those who are rehabilitating prisoners. There are many others. The Review believes that the potential users who need Money Guidance the most trust such intermediaries. These potential users will be more likely to use the Money Guidance service if they are made aware of it from an intermediary they know and trust. The Review is also aware that such intermediaries may wish to use the Money Guidance service on behalf of a user if the user does not feel able to use the service directly themselves. For such intermediaries, knowing there is somewhere they can go to help their users will be helpful to them.

Workplace 5.26 Intermediaries can also be used to impart messages and "push" the service to individuals. One example is to use the employer and the workplace:

The employer as a trusted intermediary and the workplace as a social network

There are a number of recent examples of where the workplace has been used to deliver Money Guidance-type activity:

- The FSA has been running its "Making the Most of your Money" workplace programme to provide general financial information to employees in their places of work, using educational literature and a CD-ROM accompanied by employees' seminars. Since launch, the FSA has reached 1.3 million employees with its materials. Of those sampled, 86 per cent believe that the seminar played a role in their decision to take action in relation to their finances.
- The National Association of Pension Funds (NAPF) launched PENSIONSFORCE in June 2006 as a free and independent service providing help with retirement planning to people at work. The service aims to increase awareness of the need to plan and save for retirement. Working to ensure people are better able to make informed choices in the future, PENSIONFORCE targeted 4,000 employees and has to date reached half of them.

5.27 The Review believes that the workplace is an excellent place for engaging potential users who could benefit the most from Money Guidance.

Life events 5.28 Linking life events and trusted intermediaries could be powerful. The FSA's use of midwives and professionals working with the family to distribute its *Parent's Guide to Money* (PGM) is a good example. New mothers clearly trust those delivering their newborn child, and as such these professionals can be used to provide clear information and guidance. The key findings from the PGM pilot, which involved 1,500 parents, showed that 90 per cent of the parents had benefited from the Guide and 70 per cent had taken "hard action", such as setting up a savings account, writing a will or reducing their debts.

Parent's Guide to Money

The *Parent's Guide to Money* provides a one-stop shop for information on a range of money matters and signposts new parents to additional sources of information. It is distributed through midwives, with additional support being provided by a range of professionals working with families (e.g. children's centre staff, health visitors, local advice workers, Family Information Services, Jobcentre Plus, etc.).

The Guide provides entry-level generic financial information and guidance, and covers topics such as applying for working tax credits, switching to less costly borrowing and seeking out better savings rates. The FSA is aiming to reach 1.5 million parents by 2010/11.

Schools 5.29 Schools are an example of where trusted intermediaries could be used to boost skills and empower the population at an early and formative stage. Financial education in schools is vital for future generations to ensure that they are equipped with the necessary skills and knowledge. Children engaging with personal finance also provide an opportunity for their parents to be made aware of the service. Recent research from the Association of Investment Companies highlights this:

Teaching financial education at school

"Research from the Association of Investment Companies (AIC) among parents and teachers has revealed that nine out of ten parents and teachers (93% of both groups) think that personal finance education should be taught at school."

"The vast majority of parents (90%) had no financial education when they were at school, and two thirds (65%) of parents would now like some sort of personal finance training as an adult, either to pass onto their children, or to sort out their own financial affairs."[10]

5.30 Engaging potential users through the engagement of their children in the school system would be an excellent way of combining initiatives and helping to raise awareness and usage of a Money Guidance service.

The commercial sector

5.31 Many parts of the population consider commercial outlets as trusted intermediaries. The Post Office is an obvious example, while many supermarkets and financial institutions could also be places where people are signposted to Money Guidance. The role of the commercial sector in delivering Money Guidance is further discussed in Chapter 4.

5.32 In summary, the Review believes that trusted intermediaries would be an excellent way to engage consumers and make them aware of the service, and would be likely to help motivate the user to use Money Guidance and then take action. The Review wishes to emphasise that the examples presented in this Report are not exhaustive, but provide key examples of engagement activity that might prove beneficial at engaging successfully with all, and especially with those who could benefit the most.

Social networks and viral marketing

5.33 The Review is aware that the combination of the above activities would mean that many potential users of the service would be aware of it, and will use it. In turn this would mean that over time, "word-of-mouth" marketing and awareness will occur. This clearly would be very powerful if the word-of-mouth message about the service is positive, as it would be coming from very trusted sources – friends and family. Indeed, 70 per cent of prototype users who took part in the survey were very likely to recommend the service, with the telephone prototype scoring as highly as face-to-face delivery. Endorsement was strong across all demographic groups, but users with families were particularly positive.[11]

5.34 As society changes it will be necessary for a Money Guidance service to be aware of new communications technology and the way that technology is leading to the growth of new social networks. A more detailed discussion of this appears in Chapter 4.

[10] Source: *The Association of Investment Companies*, January 2008: http://www.theaic.co.uk/press_centre/default.asp?id=6517

[11] See Annex 1 – *Evaluating the prototype generic financial advice services*, Andrew Smith and Midge Clayton.

DEMAND FOR MONEY GUIDANCE

5.35 The Review recognises that not all the population, or the estimated 19 million people who need Money Guidance the most, will necessarily demand the service simultaneously. But the appeal of Money Guidance is potentially very large. A national Money Guidance service needs to be able to manage demand for several reasons:

- to retain a tight focus on delivering the outcomes it is designed to achieve for people;[12]
- to ensure a consistently high quality of service within finite capacity;
- to manage resources efficiently while carrying out the challenging task of offering a universal service that meets the different needs of its different customer clusters;
- to cope with event-driven peaks and troughs in demand – examples being the introduction of auto-enrolment or a change in the Bank of England base rate;
- to allow it to run proactive campaigns on specific issues from time to time.

5.36 The Review is also aware that the service needs to be cost effective, and as such part of demand management will be an effective engagement strategy that attracts those who need the service most. The Review further recognises the importance of the web and new media, especially for the more financially capable, who would still benefit from using the service.

Managing demand

5.37 The Review believes the service can learn lessons from the experience of public, private and third sector services on managing demand. There is considerable experience for a national Money Guidance service to draw on, not least from some of the organisations that are likely to be partners in the delivery model. In particular, there is a lot of experience around managing demand downwards – to pitch the volume of traffic to a level at which quality can be maintained or to ration scarce supply.

Word of mouth

5.38 Like many other services, the ultimate aim of a national Money Guidance service is that large numbers of people will hear of it via positive word-of-mouth referrals from satisfied customers. News of the service should travel "virally" around social networks, sustaining a level of demand and repeat use. This is an important goal for the kind of engagement strategy outlined above. But this success poses an additional demand management challenge. Once word-of-mouth referrals become an important source of new business, and conventional marketing methods become proportionately less important in the mix, the degree of control that the service provider has over demand reduces.

5.39 The Review does not regard this as an insuperable challenge for the service, and certainly not for the short to medium term. As the service matures, management will gain experience in dealing with different levels of demand, both overall trends and short-term fluctuations. More to the point, the Review thinks that for a preventative Money Guidance service, "viral" marketing will only ever be one driver of demand among several. The Review expects experienced management to be able to continue to use conventional management techniques, including other marketing tools, to manage this challenge.

[12] More detailed coverage on the benefits of the Money Guidance service can be found in Chapter 2.

5.40 However, the Review believes that the principal demand management challenge lies in a different area. All stakeholders agree that the biggest challenge the national Money Guidance service will face is supporting and boosting demand (i.e. managing it up) to deliver the benefits of the service as widely as possible to each customer cluster. The main drivers of the outline engagement strategy described above are people's prevailing attitudes and behaviours when it comes to finance – and their reluctance to engage when they are not in crisis. The emphasis needs to be initially on awareness raising and on engendering and sustaining interest.

5.41 Generating awareness and supporting demand are crucial for the pathfinder stage. Developing the operational aspects of an end-to-end Money Guidance service will require a sufficient volume of customer traffic across all channels and across the full range of users and their needs.

5.42 Clearly, demand management will be important for the costs and cost control of any engagement strategy. The overall costs of the service are covered separately in Chapter 7.

CONCLUSION

5.43 This chapter has described the key components of an effective brand and engagement strategy, including effective management of demand. It has recommended a multifaceted engagement strategy which should encompass:

- national and regional marketing campaigns and engagement activities;
- trusted intermediaries; and
- social networks and viral marketing.

5.44 The Review expects the mix of engagement approaches to change over time as the service evolves with technological developments, such as podcasting. The strategy should be flexibly executed and evaluated as it unfolds and refined in the light of experience.

5.45 It will take time to build an effective strategy, and the service will not be able to reach or engage everybody at once. Embedding the Money Guidance service in society and changing behaviour is a long-term process. This chapter has described the existing infrastructure which the service can build upon and utilise to engage with those who need to plan ahead, and the service is a way of meeting those needs and fostering changes in behaviour.

5.46 The pathfinder will need to:

- design and test a new brand for the service, and work closely with partners on the issue of co-branding; and
- develop and deliver a detailed, multifaceted marketing and engagement strategy to ensure that the population in the location(s) chosen for the pathfinder – especially those who can benefit the most – are made aware of their financial needs, the help Money Guidance can offer them and how to access the service.

5.47 The following chapters outline the governance, funding and costs of running the service described in chapters 3 and 4.

6 Governance and funding

Summary

This chapter considers what type of organisation would be best placed to deliver a Money Guidance service based on the partnership model – and how it should be funded.

The chapter concludes that to meet the principles stated in the Executive Summary, in particular that of impartiality, the Money Guidance service should be operated by a body that is independent of both government and the financial services industry.

The Review believes it would not be cost effective to create a new body. On balance, the Review believes that the Financial Services Authority (FSA) is the right organisation to take forward Money Guidance in the short to medium term. The Government should work with the FSA to establish governance arrangements that:

- provide a sustainable and fair funding base for the service;
- allow an appropriate brand to be created and consumer tested;
- ensure an executive function exists with the necessary strategic and delivery skills;
- provide strong accountability for the service's funds;
- take account of the FSA's current statutory framework; and
- ensure sufficient resources are in place to deliver the outcomes.

The Review believes the Government should make a final decision on the role of the FSA once the above issues have been resolved satisfactorily and the outcome of the pathfinder is clear, and should keep this under review.

The chapter also considers funding and concludes that the funding mechanism should be a levy which meets the criteria of:

- fairness;
- practicality;
- stability; and
- simplicity.

The Review recommends that the costs of providing the service should be split equally between Government and the financial services industry.

INTERIM REPORT CONCLUSIONS

6.1 The interim report analysed a range of options for formal governance structures which could deliver a national approach to Money Guidance[1] based on the partnership model, but did not make recommendations about which would be most likely to deliver a service that met the principles re-stated in the Executive Summary. The report invited views on a number of questions about the possible solutions discussed:

- Should a GFA service be delivered by a new organisation, and if so should that organisation be a new public body?
- Should a GFA service be delivered by an existing organisation – not necessarily a public body – with an established "brand" that is capable of being widened to encompass the objectives of a GFA service?
- Which existing organisations should be considered candidates for scaling up capacity and expanding their brand to deliver the vision of GFA set out in this report?

Responses to the interim report

6.2 A number of responses to the interim report addressed these questions. Many favoured the setting up of a new organisation, although some acknowledged that this could add to the time required for implementation and risked creating a new bureaucracy or "quango".

"Our view is that it should be a new organisation. We favour a public body but have some concerns over the levels of bureaucracy that could be created."

Friends Provident response to interim report

"There are a number of trusted intermediaries operating in the provision of financial guidance and assistance to the public – the question is whether an existing body can be a successful 'brand' for all sections of the population. If not, a new body will be needed.

Which? believes it is extremely important that the organisations involved in both strategic control and delivery are focused on the goal of boosting financial capability. The service must primarily act for the benefit of consumers. This means that the objectives of the service must not be skewed by any of the other activities carried out by the participating organisation(s). In practice, we would expect the service to have a ring-fenced budget and workforce and a distinct management structure if it were located within organisation(s) with competing priorities."

Which? response to interim report

6.3 However, some believed that Money Guidance sat most logically alongside the FSA's existing responsibility for promoting public understanding of the financial system, currently delivered through the National Strategy for Financial Capability.

"We believe the FSA is the right home for governance of Generic Financial Advice (GFA), including any new service. As well as this arrangement fitting with the FSA's statutory responsibility to promote public understanding of the financial system, there are a number of further advantages. ... the FSA meets the criteria of being impartial and independent of Government."

Prudential response to interim report

[1] Then described as generic financial advice (GFA).

6.4 There was no support expressed to the Review for a service led entirely by an existing body other than the FSA, or for a service led by a new third sector or charitable body.

CONSUMER RESEARCH

6.5 As part of the evaluation of the prototypes described in Chapter 1, the Review asked 1,011 adults about their likely use of a service providing Money Guidance, and their views on what sort of organisation should deliver it:

- There was strongest support for a service jointly funded by, but independent of, the financial services industry and Government. This was also the view expressed in the consumer research.[2]
- Concerns were expressed about the concept of a service solely funded by and/or dependent on the financial services industry.
- "Government backed" was seen as a strength.
- Many had no strong views on governance or funding arrangements, as long as they worked and were seen to be impartial.

6.6 Around half of the control group said they would be happy with Citizens Advice or FSA involvement in delivering such a service. A similar proportion said they would accept a service provided by a new, independent organisation.

6.7 In view of these responses, and the obstacles identified in the interim report to using a third sector organisation as the central body for the service, the Review does not propose to rehearse again the cases for and against existing organisations – whether public or third sector, other than the FSA, being the central body; or for delivery via a new third sector body. But as described in Chapter 4, the Review would expect many existing organisations to be key delivery partners for the service.

6.8 As suggested by some who responded to the interim report, external stakeholders could also have a role in helping to shape the strategy for the service. This could include formal inclusion in the governance arrangements.

"We … believe that the governance structures of the service must be inclusive and representative. Both business and consumer bodies have a role to play in overseeing the service."

Which? response to interim report

"… the new service will … need robust and genuinely representative governance arrangements, ensuring an appropriate industry voice."

Finance and Leasing Association response to interim report

6.9 The Review therefore believes that the choice lies between a new public body or the FSA. Either could meet the test of being impartial from both Government and the financial services industry. The arguments for and against both approaches are summarised below.

[2] See Annex 5 – *Geared for action: Developing the generic finance advice service*, NSMC.

A new body 6.10 The arguments for Money Guidance being run by a new body are:

- A new body set up exclusively to run Money Guidance would be focused on just one issue. There would be no risk of distraction by existing regulatory commitments or other functions.
- If provided with the appropriate statutory remit and governance structures, a new body could meet the impartiality test.
- A new body would start with no "baggage" in terms of a pre-existing brand or public perception, and would be able to build an effective identity for the service without needing to distinguish Money Guidance from its existing offerings.

6.11 The arguments against Money Guidance being run by a new body are:

- As discussed in the interim report, there is a presumption against setting up a new public body to deliver a service except where there is no practical alternative.[3]
- A new body would start from scratch and would not be able to draw on existing experience.
- A new body would need to be established legally, either by setting up a company or by enacting new (primary) legislation, or by a combination of these. This would take time.
- A new organisation would most likely require the introduction of a completely new levy, as the FSA levy would not be available to it. This would not meet the funding criteria discussed in paragraph 6.34.

The FSA 6.12 The arguments for Money Guidance being run by the FSA are:

- The FSA is established by statute as a self-funding independent body with the objectives of maintaining confidence in the financial system, promoting public understanding of the financial system, securing the appropriate degree of protection for consumers and reducing the extent to which it is possible for a business to be used for a purpose connected with financial crime. It is known to the public as "the UK's financial watchdog". This therefore helps it to meet the impartiality criterion.
- The FSA already delivers the National Strategy for Financial Capability. Locating the service within the FSA would enable it to benefit from and build on existing expertise.
- In the words of the National Audit Office, "these [Financial Capability] activities put the FSA ahead of most of its international peers in financial capability".[4]
- The FSA has experience of delivering financial capability projects in partnership with other organisations and trusted intermediaries (for example in promoting the *Parent's Guide to Money*[5]). This includes partnership-building at a sub-national level – it has a regional presence.
- No new legislation would be needed to establish the function within the FSA, though depending on the precise governance arrangements and funding mechanisms, amending legislation might be needed in due course.

[3] See *Public Bodies: Guidance for departments*: http://www.civilservice.gov.uk/other/agencies/guidance_for_departments/pb_guidance/index.asp

[4] National Audit Office report, April 2007: http://www.nao.org.uk/pn/06-07/0607500.htm

[5] See Chapter 5, paragraph 5.32.

- The FSA already has a levy-raising power which could be used to deliver at least part of the industry contribution. This meets the funding criteria discussed in paragraph 6.34 (although legislation might be needed to deal with consumer credit firms).
- The FSA is a UK-wide organisation and so could deliver Money Guidance across the whole nation.

6.13 The arguments against Money Guidance being delivered by the FSA are:

- There is a lack of synergy with the FSA's main regulatory function. This could lead to a risk of Money Guidance activity being "swamped" or sidelined because of workload pressures elsewhere in the organisation.
- There could be perceived conflicts of interest. As the Resolution Foundation said in its response to the interim report, "The body delivering a new GFA service must be a high profile consumer champion. The FSA does not have the high profile brand required, and its role as a consumer champion may conflict with its statutory duties as market regulator."

Conclusion

6.14 On balance, **the Review recommends that the FSA should take forward Money Guidance in the short to medium term** as it:

- meets the principles that the Review has set out for the service and is independent from the FSI and the Government;
- is recognised as being a world leader in financial capability, and has invested heavily in building capability through its leadership of the National Strategy for Financial Capability;
- has expertise in working in partnership with other organisations to deliver the financial capability initiatives;
- has some experience of engaging with the UK population through the MoneyMadeClear website, information campaigns and provision of information and guidance direct to the population; and
- has a mechanism and approach to levying organisations that is regarded as robust and trusted.

6.15 The Review notes the benefits of integrating Money Guidance with the National Strategy, both in terms of the potential synergies and to help ensure that a coherent and consistent message is given to the UK population.

6.16 It is not for the Review to prescribe what governance mechanism within the FSA would be best suited to deliver Money Guidance. The Government will need to explore with the FSA issues such as whether the service could be delivered through normal FSA business and accountability structures, or whether a distinct body – analogous to the Financial Ombudsman Service (FOS) – would be desirable. Whichever model is applied, the institutional arrangements will need to ensure that:

- Money Guidance (and, if desired, financial capability activity) can be ring-fenced within the FSA – in terms of both governance and funding – so that money raised for Money Guidance cannot be diverted to other activities and vice versa, and so that there are clear and distinct leadership, management and accountability structures for Money Guidance;

- the governance arrangements reflect the wide range of stakeholders who have an interest in the promotion, delivery and funding of Money Guidance;
- the Money Guidance service has a brand, identity and "feel" that is distinct from the FSA as a whole; and
- those delivering Money Guidance have appropriate liability cover.

6.17 The Review believes the Government should work with the FSA to establish governance arrangements that:

- provide a sustainable and fair funding base for the service;
- allow an appropriate brand to be created and consumer tested;
- ensure an executive function exists with the necessary strategic and delivery skills;
- provide strong accountability for the service's funds;
- take account of the FSA's current statutory framework; and
- ensure sufficient resources are in place to deliver the outcomes.

6.18 The Review believes the Government should make a final decision on the role of the FSA once the above issues have been resolved satisfactorily and the outcome of the pathfinder is clear, and should keep this under review.

FUNDING

6.19 The Terms of Reference asked the Review to look at "Options for funding that reflect the benefits to all stakeholders of increasing financial capability over the long-term". The interim report suggested that any funding mechanism should be assessed against the following criteria:

- predictability and stability, including for government funding, so that staff and those providing the funding can have confidence in the long-term delivery of the service;
- fairness in light of a clear assessment of where long-term benefits accrue between users, the state and the industry, so that everybody is contributing their share of the costs;
- efficiency, so that whoever runs the service has a duty to manage costs;
- accountability, so that contributors to the funding also have a say in how the service is run; and
- connection with risk, so that there is clarity as to who bears the risk if problems with, for example, capacity or service quality arise.

6.20 Having reviewed the options, the interim report concluded that:

- a compulsory levy was most likely to deliver against the objectives of predictability, stability and fairness;
- collecting contributions via an existing, rather than a new, levy would impose the least administrative burden on both contributors and the service itself;

- the contribution base should as a minimum include those members of the financial services industry regulated by the FSA and contributing to the National Strategy for Financial Capability; but that there was a strong case for coverage to extend to providers of non-FSA-regulated services such as consumer credit. It raised, but did not express firm views on, the possibility of the contribution base also including occupational pension schemes (including in due course Personal Accounts); and
- among existing levies the Review had seen, the FSA levy was the only plausible funding vehicle.

6.21 The interim report sought views on a number of questions about the funding mechanism for the a Money Guidance[6] service:

1. Would a compulsory levy be the most appropriate way of raising the industry contribution to a GFA service; and if so, should it be a new mechanism or an existing one, such as the FSA levy?
2. Would it be practical for compulsory contributions to be made partly in kind, whether by provision of staff, accommodation or other resources, or as a direct provider of part of the service?
3. What should be the coverage of any industry levy? In particular, should it reflect the value of business in non-regulated products, such as some consumer credit companies, which are likely to generate significant calls on a GFA service?
4. Are there some firms that should be excluded from a compulsory contribution? In particular, should firms that:
   – sell only non-regulated financial products; or
   – operate on a very small scale or for whom credit is just an ancillary activity; or
   – have only peripheral contact with those who are most likely to benefit from GFA;

   form part of the contribution base?

RESPONSES TO THE INTERIM REPORT

6.22 Many industry responses to the interim report and discussions with industry stakeholders expressed doubts that any benefits would accrue to the financial services industry as a result of Money Guidance and that the case for any industry contribution to a Money Guidance service was therefore not made.[7]

6.23 Leaving aside these doubts, those who expressed a view on funding believed that, if joint funding were the way forward, a compulsory levy would be the only practical vehicle for delivering the industry contribution. The case for a contribution base to extend beyond FSA-regulated firms to, in particular, the consumer credit market was also generally accepted.

[6] Then called generic financial advice (GFA).
[7] The Review has concluded that there would in fact be considerable benefits. These are described in Chapter 2.

"Of the possible options available, we felt a levy would be the most appropriate option in creating a funding stream for a new advice service that was both reliable for those operating the service, and fair for those contributing to it."

Resolution response to interim report

"We strongly support the view that the service should be jointly funded by Government and by a compulsory levy on the financial services industry as a whole, including non-regulated companies such as consumer credit Companies."

Age Concern response to interim report

"We … agree with the Interim Report's conclusions that a reasonable approach would be to charge those who stand to benefit commercially from the proposed advisory system."

National Association of Pension Funds response to interim report

Contributions in kind

6.24 There was limited support for allowing levy-payers to offset in-kind contributions, such as staff or accommodation, against their cash liability. This was felt to be complex and likely to fail the predictability and stability tests. The Review therefore does not propose to give further detailed consideration to payments in kind as a way of providing the core funding for the service.

Who should fund Money Guidance?

6.25 As part of its cost-benefit analysis (CBA), Deloitte conducted a number of interviews exploring views on funding mechanisms with stakeholders across the financial services industry. These suggested that the views described above were widely shared across all stakeholder groups.

6.26 The CBA confirmed that Money Guidance would deliver significant benefits to consumers, the financial services industry and the Government, and these are described in full in Chapter 2 and Annex 4. The Review believes the analysis supports the original presumption that the service should be jointly funded by industry and Government.

6.27 This report does not consider the mechanism for delivering the Government contribution, though it notes that in line with *Managing Public Money*,[8] the Government will need to consider the statutory basis for any expenditure on Money Guidance lasting more than two years. It is possible that the Government would have to seek specific statutory authority from Parliament for such expenditure, through primary legislation.

6.28 In theory, the distribution of benefits could be used as an argument that consumers should pay part of the cost of the service, in line with the Review's Terms of Reference. However, the Review believes that, at least in the short to medium term, the service will need to be free to users in order to attract those with whom it most needs to engage. This is not to rule out some paid services in perpetuity; but this will be for the service to decide in light of experience.

[8] *Managing Public Money*, HM Treasury (October 2007). Chapter 2

6.29 On the division of costs in a service jointly funded by industry and Government, the Review believes that the distribution of benefits, described in Chapter 2, justifies a conclusion that this should be based on a 50:50 split. This is a pragmatic approach in line with the key criterion of simplicity. It is not practical to calibrate contributions to precisely match benefits, which could in any case vary over time and according to nature of contributors' businesses. The Review believes a 50:50 split represents the fairest solution.

FSA- and OFT-regulated firms

6.30 The responses to the interim report and the findings of the CBA confirm our original inclination that the funding base should include not just FSA-regulated firms who contribute to the National Strategy for Financial Capability but also the unsecured loans and credit sector regulated by the OFT. Issues connected with credit are likely to generate significant calls on the service, and this part of the industry is likely to benefit from reductions in bad debt, and the creation of a larger pool of creditworthy potential customers (although there could some balancing losses from reductions in income from charges and due to customers shopping around).

Occupational pensions and Personal Accounts

6.31 Developments in pensions markets create challenges relating to both the demand for and thus the funding of the Money Guidance service. This is especially relevant in relation to how one treats occupational pension schemes (OPS). OPS are created solely for the benefit of their members: the employees. The Review believes that these members should not be asked to fund the service directly. However, the investment managers who manage the OPS' assets should contribute as part of the FSA-regulated financial services sector. Where the OPS is administered by a life company, the life company would similarly contribute through the FSA levy.

6.32 The Government has stated its intention that Personal Accounts should be an occupational pension scheme. However, at the time of publication the legislation to establish Personal Accounts was still being debated by Parliament. Moreover, the final delivery model for Personal Accounts is yet to be determined, in particular it is not known whether the support services, such as administration, will be delivered by firms regulated by the FSA or not. The Review cannot therefore reach any conclusions about levying Personal Accounts, but the 'fairness' principle would suggest that there should be a level playing field between Personal Accounts and analogous schemes in the marketplace.

National Savings & Investment

6.33 NS&I is in essence no different from other savings institutions, though it has unique accounting arrangements because of its status as part of government. The Review believes that to maintain a level playing field NS&I should be included in the contribution base and that its contribution should be computed and reported transparently on a comparable basis to firms engaged in similar business.

THE FUNDING MECHANISM

Criteria

6.34 After reviewing the criteria applied by other levying bodies in setting their levies, and in the light of discussions with stakeholders, the Review proposes the following as criteria for assessing funding options:

Fairness

- Provides a comprehensive constituency of financial service industry firms to contribute to the Money Guidance service.
- Subject to practicality criteria, leads to firms deriving a greater direct benefit from the Money Guidance service paying a greater share of total levy costs.
- Does not overly impact the structure of the markets it collects contributions from (for example, drive firms out of business).

Practicality

- Implies minimum impact in terms of set-up costs or changes to contributors' internal processes.
- Faces no significant or insurmountable barriers to establishment (e.g. legal or technical).
- Is able to deliver funding within a suitable timetable for the establishment of a Money Guidance service.

Stability

- Provides predictable and consistent contribution levels.
- Provides predictable and consistent total funding receipt.

Simplicity

- A transparent charging structure that is understandable and clear to industry contributors
- Is easy for firms to make payments.

A levy

6.35 The Review believes that the funding mechanism which best meets the criteria set out above would be a levy which:

- applies to the sections of the financial services industry listed paragraph 6.30; and
- generates contributions from firms that fairly reflect the value of their business.

The Review further believes that using existing levy mechanisms, rather than creating an entirely new levy, would best meet the criteria of simplicity and practicality set out above. However, it acknowledges that, as described below, these mechanisms might not, without amendment, deliver the required degree of fairness.

6.36 The FSA levy provides a good mechanism for raising funds from the section of the industry it regulates and the FSA already uses its levy to support the National Strategy for Financial Capability. Annex 4 describes in detail how the levy operates and how payments are calculated. The calculations are complex but the overall effect is that a firm's contribution is related to the value of its business in regulated activities.

6.37 By contrast, the OFT consumer credit licence (CCL) fee and consumer credit jurisdiction (CCJ) levy are based on two-tier flat-rate fees payable on a five-yearly basis. The current fee rates are set out in Table 6.1 below. Although these are due to increase further, the sums generated are clearly on a different scale to those delivered by the FSA levies, under which fees range from £3,000 to £4,000 for a small Independent Financial Adviser or mortgage broker to several million pounds for a large life company or bank.

Table 6.1: Standard consumer credit licence fees *(with effect from 6 April 2007)*

When applying for or renewing licence fees: Type	CCL fee	CCJ levy*
Sole trader	£135	£150
Partnership, company or other organisation	£335	£150

*Not all firms are required to pay CCJ industry levy.

Source: OFT website, January 2008.

6.38 If the industry contribution to Money Guidance were to use existing levy structures this would not provide a level playing field for OFT-regulated businesses and FSA-regulated businesses. This is demonstrated by some hypothetical calculations, set out in the CBA, of the effects on different types of firm of basing contributions to Money Guidance on the existing levies. The differences in the existing levies mean that the Review is not in a position to set out the percentage that each constituent should contribute. The Review believes that the Government should explore options to collect a fair contribution from OFT-regulated firms.

Collection mechanisms

6.39 A way would need to be found to channel funds raised from a variety of levies into the central body. Although the FSA cannot directly levy firms it does not regulate, it does already provide "levy collection" services to a number of other organisations, which it carries out on a not-for-profit basis. The Review believes the Government should explore the scope for using these services to collect levies raised by contributors who do not form part of the FSA funding base.

Conclusion

6.40 This section has discussed the options for the funding of a Money Guidance service. **The Review recommends that the costs of providing the service should be split equally between Government and the financial services industry.** The analysis of costs and benefits, as well as the Review's consumer research, provide evidence to suggest that the initial assumption of an equal split is right.

6.41 **The Review recommends that a levy is the most fair, transparent and sustainable way of securing the industry's share of funding the Money Guidance service. The Review also recommends that it should include a broad base of financial services institutions, comprising:**

- **firms regulated by the FSA, which already pay towards financial capability;**
- **consumer credit firms regulated by the Office of Fair Trading (OFT);**
- **National Savings and Investments (NS&I).**

6.42 The next chapter examines what the cost of a Money Guidance service might be.

7 The cost of delivering a Money Guidance service

Summary

Based on estimates in a cost-benefit analysis by Deloitte for the Review, the likely cost of a Money Guidance service on the service delivery model described in Chapter 4 is in the range of approximately £36 million to £64 million (2008 prices).[1] This range takes account of different assumptions about levels of use and the unit costs of the various component parts of the service. The base case scenario assumes 4 million users a year at steady state and estimates costs at around £49 million a year (2008 prices).

The costs modelled in the cost-benefit analysis assume an initial channel split of 45 per cent web, 35 per cent telephone and 20 per cent face-to-face (F2F), which the experience of the prototypes suggests underestimates the level of take-up that could, from the outset, be channelled though the relatively inexpensive web channel.

As was the case with the interim report, the analysis of costs, while representing a realistic range, can only be illustrative until the actual delivery model is established. In particular, the set-up and running costs of the central body and the delivery channels will depend on the eventual mix of partners and factors such as whether the central body is a new or existing organisation.

Nevertheless, the analysis demonstrates that, even on cautious assumptions, the costs of delivering a national Money Guidance service are significantly outweighed by the benefits described in Chapter 2.

Full details of the methodology and assumptions used to generate the cost estimates in this chapter are in the cost-benefit analysis which is reproduced in full in Annex 4.

7.1 This chapter examines the possible costs of delivering a national approach to Money Guidance, based on a model devised by Deloitte for a cost-benefit analysis commissioned for the Review, and on work on the cost of large-scale public engagement strategies by the National Social Marketing Centre (NSMC) for the Review.[2]

7.2 This chapter describes the CBA's conclusion that the likely cost of a Money Guidance service on the service delivery model described in Chapter 4, serving 4 million users a year, would be around £49 million a year (2008 prices).[1] Alternative high and low case scenarios suggest an estimated cost range of around £36 million to around £64 million in 2008 prices. This translates into net present values (NPV) of between £779 million and £1,165 million for the period to 2060.

[1] The CBA costings assume the service rolls out gradually starting in 2009 and reaches steady state in 2013.
[2] Set out in annex 5

Table 7.1: Summary of potential costs of a Money Guidance service over time

	Year 1[3]	Year 2	Year 3	Year 4	Year 5[4]	Year 12	NPV 2009–2060[5]
Base case: £ million	28.8	39.6	48.7	54.2	48.9	41.4	1,135
High case: £ million	35.9	43.5	56	67.9	63.9	56.5	1,665
Low case: £ million	19.7	25.6	32.3	38.4	35.8	29.6	779

Source: Deloitte Report on the cost-benefit analysis of providing Generic Financial Advice and an assessment of possible industry funding approaches.

7.3 The analysis supports the conclusion that, even in the high case, the cost of delivering a national Money Guidance service is within a range similar to that suggested in the interim report, and that these costs are significantly outweighed by the benefits described in Chapter 2.

Interim report conclusions

7.4 The interim report noted that the cost of a service will depend on:

- the depth and scope of the service provided;
- the channels used; and
- the volume of activity;

and set out a range of costs for a national approach to Money Guidance based on varying assumptions about channel mix and levels of use. These produced an illustrative range of between £39 million and £81 million (see Table 7.2).

Table 7.2: Range of annual costs for GFA service with a range of channel mixes assuming either 3 million or 5 million customer contacts a year

Contacts (million)	Channel mix (per cent) Internet	Telephone	F2F	Cost (£ million)
3	40	35	25	54
5	40	35	25	81
3	50	30	20	46
5	50	30	20	69
3	60	25	15	39
5	60	25	15	56
3	30	50	20	52
5	30	50	20	78

Source: Thoresen Review of Generic Financial Advice Interim Report, October 2007.

[3] CBA assumes that Year 1 is 2009.

[4] Costs fall from Year 5 on the removal of the element for set-up costs and on the assumption of an increasing shift to internet as the main delivery channel.

[5] NPV means here the cumulative discounted value of costs or benefits over the period 2009 to 2060 expressed in 2008 prices.

7.5 The interim report did not – and indeed could not – come to a view on what the actual funding requirement for a Money Guidance service would be. Its cost assessment was illustrative because the models costed did not represent any meaningful assessment of what the "right" channel mix or level of use should, or would, be. It noted that the final service delivery model for a national system of Money Guidance would need to strike the right balance between affordability, effectiveness, scope and penetration, and that the final report would aim to measure particular combinations of channels against those criteria, drawing lessons from the prototypes and from comparisons with relevant advice agencies operating similar systems.

7.6 A further CBA has now been carried out by Deloitte. This includes an assessment of the possible costs of setting up and running the service. Some key conclusions are summarised below. Full details of the methodology and assumptions used to generate the cost estimates set out in this chapter are given in Annex 4, which reproduces the CBA in full.

Costing the components of a Money Guidance service

7.7 The cost model developed by Deloitte for the CBA makes the following assumptions:

- The service is targeted to reach between 3 and 5 million people a year and is rolled out gradually to reach a steady state after 4 years.[6]
- The base case assumes 4 million users a year at steady state, with each user making, on average, 1.5 contacts.
- The service is provided through three channels – internet, telephone and F2F – with the initial channel mix being 45 per cent, 35 per cent and 20 per cent respectively. The base case and the "low" case also assume a gradual increase in the proportion of users accessing the service via the internet, with a corresponding decrease in telephone and F2F users.
- The costs of the Money Guidance central body have been estimated on the assumption that it would employ between 20 and 30 full-time equivalent staff.
- Marketing costs for the base case are based on the work carried out for the Review by the NSMC.

7.8 None of the key elements of the Money Guidance service is in itself novel, and it is possible to produce relatively robust estimates of the cost of these elements by breaking them into their component parts and building up from the unit costs of those component parts. This can be done using tried and tested methodology, sense-checked against the actual costs of comparable organisations.

7.9 Estimates built up in this way, however robust, can still only be illustrative. They are a good indication of what a service would cost if a number of key variables are set at a certain point. The model itself cannot determine what the answer to those service design questions "will" or "should" be; this will be for the service itself to establish. Potential impacts of some key variables on the cost of the Money Guidance service are discussed in the following paragraphs.

[6] The CBA assumes that Year 1 is 2009.

The channel mix 7.10 There is a wide variation in the unit costs of the three main channels for delivering Money Guidance,[7] and changing the assumed channel mix of the service has a significant effect on costs. Table 7.3 sets out the assumptions made in the CBA about the change over time in channel mix on the base case and high- and low-cost cases.

Table 7.3: CBA assumptions about change in channel mix over time

		MG delivery channel (per cent)		
		Web	Telephone	F2F
2009	Base case	45	35	20
	Low case	45	35	20
2013	Base case	55	30	15
	Low case	25	60	15
2020	Base case	65	20	10
	Low case	75	28	7

7.11 As discussed in Chapter 1, the prototypes achieved a channel mix that was closer to the low case assumptions for 2020 than the initial 2009 assumption built into all three CBA scenarios. For the reasons explained in Chapter 1, it is not realistic to assume that the high level of internet use in the prototype would be replicated in the early years of the national service. But the lessons learned in the prototypes do suggest that the CBA assumptions about channel mix may be cautious and that the costs derived from them could therefore be correspondingly high.

The level of use 7.12 Decisions about the target level of use for the service will affect the initial planned cost of the service. There is no absolutely "right" level of use: the aim should be for the service to engage sufficiently with its target group to bring about a meaningful level of change. The CBA assumes that the annual number of users will be between 3 and 5 million, with 4 million as the base case. This represents between around 15 per cent and around 20 per cent of those most likely to benefit from Money Guidance and, as has been demonstrated in Chapter 2, generates very significant benefits to consumers, industry and Government.

7.13 The number of people attempting to access a service only has a direct impact on costs if there is no ability to manage or ration demand. Chapter 5 discussed the scope for the use of marketing techniques to ramp demand up or down. It will clearly be desirable to use techniques that enable the demand for Money Guidance to be kept in balance with the supply. Under-use would reduce cost effectiveness and affect the service's ability to deliver its high-level outcomes. Excessive demand could "swamp" the service, causing de facto rationing and customer dissatisfaction, until such time as either resources can be increased or methods of limiting demand put in place.

[7] These are analysed in some detail in the CBA.

The cost of marketing

7.14 As discussed in Chapter 5, significant investment in marketing and other engagement activity will be needed to attract users to the service. The Review has seen a wide range of costs for large-scale public engagement strategies: these are discussed in the report *Geared for Action* prepared for the Review by the NSMC.[8] The NSMC suggests that an effective public engagement strategy for Money Guidance could cost around £20 million a year in the short to medium term. The CBA base case includes sums for marketing based on the NSMC figures, but applied only to the 19.2 million people most likely to benefit from Money Guidance who will be the focus of the service.

7.15 The Review does not believe it is sensible to limit estimates of marketing costs in this way. It is one of the principles of the service that it should be available – and therefore to an extent marketed – to all. The Review believes that, in order to attract its target audience, the service may need to present itself as having wider appeal. Any suggestion in its marketing that the service is "only for the lower end of the market" could lead to stigmatisation, so that those whom the service most needs to attract decide to self-exclude. The Review therefore believes that the base case costs should be increased by around £6 million a year to allow for a marketing strategy that engages the whole of the UK population. However, given the overall scale of the sums involved, and the fact that in other respects the cost estimates may be high, we believe that even with higher marketing costs the CBA figures overall remain in the right area.

Governance arrangements and partnership mix

7.16 The Review's recommendations on service delivery stress the centrality of a partnership model to the delivery of Money Guidance. Overall resource requirements could be affected by the way in which that partnership model operates in practice. There are many different ways that partnerships may be built up. Depending on the partnership mix, additional staff may be required in the central body to manage relationships with partners and ensure overall consistency of the service. The CBA assumes that, on average, the cost for each channel (excluding central organisation costs) will be broadly the same, regardless of the mix of providers for that channel. That may or may not be the case, but it is not possible to test it until the actual service is in place.

7.17 The costs of the central body could be reduced if the Money Guidance service were located in an existing organisation – such as the FSA – where it may be possible to rely in part on existing infrastructure and staff. Once again, the Review does not believe that the possible impact of these factors affects the overall validity of the cost ranges set out at the beginning of this chapter.

Summary

7.18 There are a number of factors which cannot be fully modelled and which will, in practice, have an impact on the cost of the service. However, the Review believes that sufficient evidence has been gathered about the costs of the main delivery channels, and the other costs that would be incurred in operating Money Guidance service, to be confident that a viable service can be delivered for an acceptable sum.

CONCLUSION

7.19 The cost of delivering a national Money Guidance service would be around £49 million (2008 prices) at steady state, with a range of around £36 million to £64 million. This is based on conservative assumptions about channel mix. The Review believes that these costs could be significantly reduced over time if more traffic can be channelled to web services. Even on the CBA's conservative assumptions, the costs are significantly outweighed by the benefits described in Chapter 2.

[8] See Annex 5.

7.20 The report's main recommendation is that the next step towards establishing a national Money Guidance service should be a large-scale pathfinder to validate the model for a national approach to Money Guidance. The cost assumptions for that pathfinder are discussed in Chapter 8. The pathfinder will provide a firm evidence base for making a reliable assessment of the resources which will be needed for a full-scale service. Expenditure on the pathfinder – for example building a brand, setting up a web service and developing advice protocols – will also act as up-front investment in the full-scale service, which could be expected to reduce set-up costs in the first years of the national Money Guidance service.

8 Pathfinder

Summary

This chapter describes how to turn the Review's blueprint into a fully operational service, with the first stage being a "pathfinder".[1] It sets out the key components in the pathfinder and makes recommendations on how it should be funded and governed.

The Review believes that its hypothesis can only be validated through delivering an end-to-end service to significant numbers of people. A phase of focused development, delivery of an end-to-end service and refinement following evaluation is a two-year process that is likely to cost between £10 million and £12 million.

The pathfinder offers the ideal balance of maintaining momentum, validating the Review's hypotheses and establishing the foundations of the service.

INTRODUCTION

8.1 The recommendations in this report constitute the high-level blueprint to deliver a national Money Guidance service that could benefit the vast majority of UK adults at some point in their lives. The Review believes it has proved the value to consumers, the financial services industry (FSI), the Government and society, of a national Money Guidance service.

8.2 Throughout this report the Review has made a number of recommendations as to how Money Guidance should be delivered. These recommendations combined create the hypothesis that the pathfinder should validate.[2] In order to validate the hypothesis the Review believes that an end-to-end service in a region or regions geared to reach between 500,000 and 750,000 people over 12 to15 months is necessary.

8.3 The Review believes that the need for Money Guidance is urgent, and it is crucial that the momentum from this report is not lost. Lost time now will mean lost synergies and higher costs later, and reduced benefits to the UK population. **The Review therefore recommends that the Government should set up a pathfinder, as soon as it has had the opportunity to consider this report.**

8.4 An 18 to 24 month process of development, delivery and refinement will help to establish a strategy for phased roll-out. The National Audit Office (NAO) and Office of Government Commerce (OGC) acknowledge phased roll-out as the best way to establish a sustainable service.[3] The Review believes that the Money Guidance service should be rolled out on successful completion of the pathfinder, as soon as practically possible.

[1] Pathfinder is a term used to describe a continuous process from developing and refining a national service to rolling it out. The Department for Work and Pensions (DWP) is rolling out its city strategy to tackle worklessness in disadvantaged communities across the UK through 15 "pathfinder" towns; see http://www.dwp.gov.uk/welfarereform/pathfinders.asp

[2] Box 8.1 summarises the recommendations which require validation through a pathfinder.

[3] A total of 50 per cent of service launches fail. See Annex 5 – *Geared for action: Developing the generic financial advice service*, National Social Marketing Centre, Office of Government Commerce, *Common Causes of Project Failure*, see http://www.ogc.gov.uk/documents/cp0015.pdf

Box 8.1: The pathfinder – what needs to be done

- Develop key measures of success for users of the service (based on the framework in Box 2.1 in Chapter 2).
- Deliver information and guidance on six core subjects from weekly budgeting to translating technical financial language into something that people can readily understand (Chapter 5).
- Develop and deliver a detailed and multifaceted marketing and engagement strategy (Chapter 5).
- Ensure that the boundary of the service is defined outside the sphere of current Financial Services Authority (FSA) and Office of Fair Trading (OFT) regulation (Chapter 3).
- Develop a pragmatic training and recruitment framework, which builds on the Financial Services Skills Council's National Occupational Standards for Generic Financial Advice (GFA) and the advice protocols published alongside this report (Chapter 3).[4]
- Adopt a multi-channel approach to delivering Money Guidance, including the development of a fully operational website, incorporating an appropriate number of impartial comparison tools (Chapter 4).
- Deliver Money Guidance through a partnership model and test the delivery of Money Guidance in a commercial setting (Chapter 4).
- Refine the criteria for referring users swiftly and appropriately to other sources of guidance, including specialist accredited partners (Chapter 4).
- Develop ways of measuring the quality of Money Guidance (Chapter 4).
- Design and test a new brand for the service (Chapter 4).
- Develop a diverse marketing and engagement strategy and ensure that processes and techniques for managing demand are developed and tested (Chapter 5).

8.5 The Review believes that the pathfinder could provide a firm evidence base for validating its hypothesis and making a reliable assessment of the resources which will be needed for a full-scale service to be rolled out. As with any service, the Money Guidance service will need to keep up with changing needs, and adapt accordingly.

GOVERNANCE AND FUNDING OF THE PATHFINDER

Funding

8.6 For an 18 to 24 month pathfinder, which includes delivering a service targeted to reach 500,000 to 750,000 people, indicative cost estimates are in the region of £10 million to £12 million.

8.7 The Review has recommended that the long-term funding arrangements for the service be based on a 50:50 contribution from Government and industry. Chapter 6 recommended a broad-based industry contribution and outlined the legislation which may be required to implement this recommendation.

[4] Financial Services Skills Council published approved National Occupational Standards for providers of GFA in May 2006. The Review developed Money Guidance advice protocols which built on the Standards and are published in Annex 3 – *Advice protocols for Generic Financial Advice*, Nick Lord.

8.8 The Review believes that delaying the pathfinder until any legislation is in place would be detrimental, for the reasons set out in paragraph 8.3. The pathfinder should be funded on the basis of a 50:50 split between Government and FSA-regulated firms. Work on the long-term funding arrangements should begin alongside the pathfinder. The upfront investment by FSA-regulated firms and the Government should be fully recognised in future years as other funding comes on stream.

8.9 Expenditure on the pathfinder – for example, building a brand, setting up a web service and developing advice protocols – will act as upfront investment for the full-scale service, which could be expected to reduce set-up costs in the first years of the national Money Guidance service.[5]

Governance

8.10 Governance of the pathfinder should reflect the funding arrangements and the partnership delivery model. The pathfinder should be undertaken through a coalition led by the Government, working with the FSA, the industry and delivery partners.

KEY PHASES OF THE PATHFINDER

Development

8.11 The development phase will cover the key components needed to implement the operational phase of the pathfinder.

Box 8.2: Key components in the development phase

- Marketing plan (in the region of £4 million):[6]
  - design a brand for the delivery phase, working closely with accredited partners on the issue of co-branding in the region(s) chosen for the delivery phase;
  - develop and deliver a detailed and multifaceted regional marketing and engagement strategy to ensure that the people in the region(s) involved.
- Preparation for launching an end-to-end service in a number of regions (in the region of £2 million):
  - develop a Money Guidance website, including a feasible number of impartial comparison tables;
  - with delivery partners, develop the requirements for accreditation, including defining minimum standards of Money Guidance and ways of assessing the quality of guidance;
  - ensure a close working relationship with a wide range of trusted intermediaries to ensure that the service reaches as many potential users as possible in the regions involved;
  - develop a structured recruitment and training programme for advisers, building on the current occupational standards for GFA and the advice protocols published alongside this report, to ensure that Money Guidance advisers reach a minimum standard of technical competence before they deliver guidance;
  - build on the protocols developed by the Review to utilise the full depth of Money Guidance; and
  - refine methods of measuring outcomes for the service, and agree the criteria for ongoing monitoring and evaluation of the regional service with stakeholders.

[5] The Review believes that the first-year set-up costs of a final service (described in Chapter 7) could reduce from £16.2 million to £12.2 million to reflect the investment in branding and web design. First-year ongoing costs could reduce from £12 million to £10 million to reflect the investment in recruitment and training of advisers.

[6] Costing marketing and engagement strategies are discussed in Annex 5 – *Geared for Action: Developing the Generic Financial Advice service*, National Social Marketing Centre.

Delivery 8.12 The delivery phase should aim to validate the Review's recommendations for a Money Guidance service provided through partnerships and on the scope of the service.[7] The Review believes a significant volume of traffic will be necessary to validate the Review's hypothesis and demonstrate that the assumptions underlying the CBA are realistic. A 12 to 15 month end-to-end service operating in a region or regions through a mix of channels comprising web, telephone and face-to-face (F2F) should be geared to reach between 500,000 and 750,000 people.[8]

Box 8.3: Key components in a 12 to 15 month delivery phase (in the region of £4 to £4.5 million)

Delivery phase should aim to validate:

- the effectiveness of the Review's recommendations on the core elements of user engagement;
- the ability to meet people's needs while delivering a service outside current FSA and Consumer Credit Act regulation;
- the ability to develop processes and techniques to manage demand;
- the effectiveness of partnerships and delivery in different environments, which should include a commercial setting in order to understand how the principle of impartiality can fit alongside a service that aims to prompt action, and to ascertain whether the setting or environment makes a difference to the levels of motivation to take action and execute a plan; and
- the effectiveness of service delivery in managing the user's journey between accredited partners and outside the service to ensure that it is as smooth as possible. The coalition should explore ways of reducing the potential for duplication when Money Guidance is provided in a commercial environment.

Evaluation 8.13 The Review believes that ongoing monitoring and user feedback should be in place to refine the Money Guidance service. It recognises that a robust assessment of the impact which the service will have in terms of changing users' behaviour over the medium to long term will take time to carry out and could cost an estimated £1 to £1.2 million. Where possible, the pathfinder should build evaluation into the operational phase to ensure there is no gap between pathfinder and national roll-out if the pathfinder is deemed successful.

CONCLUSION

8.14 This chapter has described how the Review's blueprint can be turned into a fully operational service through a pathfinder. It has described the main phases within the pathfinder and recommended that the Government should start the construction of the service with a pathfinder as soon as it has had the opportunity to consider this report.

[7] See Chapters 3 and 4 for a detailed discussion of the hypotheses.

[8] Based on an assumption that each user makes 1.5 contacts with the service, it could receive between 750,000 and 1.1 million contacts.

Responses to the interim report

Otto Thoresen and the Review team are grateful to the numerous organisations and individuals that provided invaluable input throughout the course of this Review through informal discussions and supporting information. The following organisations and individuals contributed written responses to the interim report:

Association of British Insureres (ABI)
Adam Samuel
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Alliance for Finance
Business World Agencies
Campaign for Community Banking Services
cchm:ping
David Severn Consulting
Fair Money
Financial and Leasing Association
Friends Provident
Investment Management Association
Keith Billinghurst
National Association of Pension Funds (NAPF)
National Consumer Council
Norwich Union
Prudential
Resolution Foundation
Tax Incentivised Savings Association (TISA)
The Consumer Council, Northern Ireland
The Medical Partnership
Tower Hill Associates Ltd
UK Shareholders Association
Which?

Two confidential responses were received by the Review

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