

The logo for Which? is a red square with the word "Which?" in white, bold, sans-serif font. The question mark is slightly larger and more prominent than the word.

Which?, 2 Marylebone Road, London, NW1 4DF

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Response to: HM Treasury consultation on *Public financial guidance review: consultation on a single body*

Consultation Response

Public financial guidance review
Financial services group
HM Treasury
1 Horse Guards Road
London
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About Which?

Which? is the largest consumer organisation in the UK with more than 1.5 million members and supporters. We operate as an independent, a-political, social enterprise working for all consumers and funded solely by our commercial ventures. We receive no government money, public donations, or other fundraising income. Which?'s mission is to make individuals as powerful as the organisations they have to deal with in their daily lives, by empowering them to make informed decisions and by campaigning to make people's lives fairer, simpler and safer.

Which? has considerable experience in providing information and guidance on personal finance issues. The Which? Money Helpline, set up in 2009, provides personalised one to one help and guidance on any personal finance matters over the telephone. We deal with thousands of calls a month, of which a significant proportion relate to pensions and retirement planning, making it our most popular subject.

Summary

We welcome the opportunity to respond to HM Treasury's consultation on a new single financial guidance body. It is critical that all consumers are able to easily access independent, impartial, high quality financial guidance.

- Which? supports the decision to create a new single body to deliver financial guidance, and broadly agrees with its remit.
- The new body needs statutory objectives that are based on outcomes, and the Government should outline how these objectives will be measured to ensure good consumer outcomes.
- Taking an approach that focuses on consumer outcomes means that the Government should be neutral on delivery channels.

Which? is a consumer champion
We work to make things better for consumers. Our advice helps them make informed decisions. **Our campaigns make people's lives fairer, simpler and safer.**
Our services and products put consumers' needs first to bring them better value.

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- A comprehensive assessment of the consumer need should take place before the body begins to deliver services.
- The guidance provided by the new body must be personalised and delivered by experts, and the service should be designed around how consumers access support.
- It is vital that the new body remains independent and at arm's length from the Government, and it should be equally independent from the financial services industry, with full control over how its funds are spent.

A new single body

In June 2016, Which? responded to the government's proposals to replace the Money Advice Service (MAS) with a new money guidance body, and merge the Pensions Advisory Service (TPAS) and Pension Wise into a new pensions guidance body. We called for more coordinated, joined up guidance services to deliver all the information people are looking for. While we did not call for a single body to deliver financial guidance, we did raise concerns about how the two organisations could work together. The latest data from Pension Wise, for example, shows that just 2.4% of its users first heard about its service from TPAS and just 1.8% from MAS¹. This highlights some of the difficulties with providing services across different branded services. We had therefore supported a strong partnership agreement between the guidance bodies to improve signposting and referrals between them. A single body has the potential to improve this further and overcome the difficulties in linking up the different services. However, it remains critical that there is joined up coordination between all the different providers of financial guidance. The new guidance body needs to be able to signpost, and indeed pass on, to other bodies if further in depth knowledge and support is needed, such as specialist debt advice for example. The Government should therefore also create effective links between the new single guidance body and the wider sector, to ensure that consumers can easily move between guidance and advice providers.

Remit, objectives and outcomes

We agree with the five broad areas listed in the consultation for the new body's remit: the provision of debt advice for those in problem debt; the provision of information and guidance on matters relating to occupational or personal pensions, accessing defined contribution pension pots, and planning for retirement; the provision of information to help consumers avoid financial fraud and scams; the provision of information for people on wider money matters and co-ordinating and influencing efforts to improve financial capability; and the co-ordination of non-governmental financial education programmes for children and young people.

However, the new body also needs clear statutory objectives based on outcomes, and not solely on outputs. It then needs to report on how it has delivered against a clear set of indicators for these outcomes. Currently, the existing guidance bodies tend to be evaluated against outputs. For example, TPAS's most recent performance measures are primarily based on cost efficiency and response times for their services, as well as one measure of outcomes, albeit only a measure of customer satisfaction². The Pension Wise dashboard provides publicly-available data on the outputs of the service, such as the number of transactions, and while the

¹ <https://www.gov.uk/performance/pension-wise>

² https://www.pensionsadvisoryservice.org.uk/content/corporate-documents-files/uploads/Annual_Report_And_Accounts_2015.pdf

customer satisfaction ratings from users of Pension Wise may be high, the success of the guidance should be based on outcomes, not just the quality of service received or the level of take-up. MAS's key performance indicators include some measures of the actions taken by consumers after using some of their services, but these are only a partial measure of outcomes³. Ultimately, while output measures can be important, the new single guidance body should be evaluated based on how it has improved outcomes for consumers.

Assessing consumer need

The new body should be established before it begins delivering services so that it can assess consumer need and understand the gaps in existing provision. This is one of the key lessons from the launch of MAS in 2010. In 2013, the National Audit Office's review of MAS found that it did not conduct analysis of the consumer need for support until after it began delivering services. This meant that it provided "insufficiently targeted advice"⁴. As one of its first priorities, the new guidance body should review existing research and strategies, including the Financial Capability Strategy for the UK, and commission new research to determine which consumers are most in need. This comprehensive assessment of consumer need should take place before the body begins to deliver services and will help ensure that the services the body delivers are most appropriate.

Delivery channels

The consultation sets out the Government's expectations of how the new body will reach consumers. This includes expectations that the new body will have a website, a telephony service and webchat for pensions guidance, and some face to face guidance services for pensions guidance and debt advice. Whilst these seem reasonable expectations in light of how the services have functioned in the past, if the new body has a clear statutory remit and evaluation metrics focused on outcomes then there should be no need for the Government to specify which specific delivery channels are used. The new body must consider the most efficient and cost effective way of providing consumers with access to impartial guidance from suitably qualified experts, while allowing users the freedom to access information in a way that is suitable to them. The risk is that by arbitrarily constraining its delivery channels, the Government may restrict the new body's ability to keep pace with the changing way consumers access information and guidance. It is also worth noting that research by MAS has found that, in general, debt advice outcomes depend more on the skills and professionalism of the adviser than how it was delivered⁵. Certain delivery channels may be more suitable for accessing particular groups of consumers, but this should be determined by the new body.

Personalised and expert guidance

Guidance must offer consumers holistic, personalised, high quality and impartial support that considers the individual's complete financial situation. As the MAS research cited above highlights, high quality skills and training for those delivering advice or guidance is crucial. Guidance needs to be provided by people who have knowledge and expertise across a range of financial issues. Those providing guidance need to be able to diagnose the issues that a consumer might be facing. This is particularly important because these issues might not be

³ <https://www.moneyadvice.service.org.uk/en/corporate/201617-business-plan>

⁴ <https://www.nao.org.uk/report/helping-consumers-to-manage-their-money/>

⁵ 'The effectiveness of debt advice in the UK', Money Advice Service, October 2012



immediately apparent, and might not even be known to the consumer in the first place. Many consumers' level of knowledge of certain financial products, such as pensions, is such that they often do not know the questions to ask when seeking guidance, and the issue they present might not be the key issue that needs to be addressed. There then needs to be robust monitoring and evaluation mechanisms to make sure consumers are receiving a consistently high-quality service.

The new guidance body must also incorporate tools that enable consumers to understand complicated issues and to personalise information to suit their own situation. Tools such as the annuities comparison calculator can help to enable consumers to understand complicated issues with information tailored to their situation, and should be maintained and developed more widely by the new body.

However, Which? strongly agrees that the new guidance body should not duplicate existing information and guidance that is available elsewhere, and it is important that existing content and tools are not lost. The Government should consider the most appropriate way to ensure that financial guidance content is placed in front of consumers effectively. Although the new guidance body will be expected to take over responsibility for hosting useful existing content and tools currently available on the MAS, TPAS and Pension Wise websites, this does not have to be the only place where such content can be hosted. Which? would welcome further discussions with the Government and MAS as to the role that Which? can play in this regard.

Reaching consumers

There is a risk that awareness of the new public-facing service will be low initially and so fewer consumers will benefit from the service, especially vulnerable consumers who may be less likely to be alerted to the new service. This was a particular criticism of MAS, even though it spent a lot of its budget on mass-marketing activity. The new body should focus on understanding how different groups of consumers seek help on financial issues. This should include considering the trigger points that prompt consumers to seek support and the channels or organisations that they are already engaging with. This could include exploring how to further develop the requirements on financial services providers to signpost sources of support. Currently, pension providers are required to signpost the Pension Wise service when issuing retirement wake-up packs and there is some evidence that this has been effective⁶. It could also lead to the new body delivering services through organisations or individuals that consumers interact with at certain trigger points or life events.

Independence

It is vital that the new body remains independent and at arm's length from the Government, with clear lines of accountability. The consultation states that a lead department has yet to be chosen for the new single body but suggests that it will likely be the Treasury or the Department for Work and Pensions. Given the inclusion of broad money guidance and a strategic role cutting across a wide range of areas, the Treasury is the most appropriate lead department.

⁶ More than half of Pension Wise users found out about the service from their pension provider (<https://www.gov.uk/performance/pension-wise>)



The consultation sets out that the new body will have funding from three levies on the financial services industry, for money guidance, debt advice and pensions guidance. It will also have grant-in-aid funding from the Department for Work and Pensions which is recovered from the General Levy on pension schemes. The consultation states that the Government “thinks it important that levy payers see their contributions fund activities of direct benefit to their organization”, but it proposes allowing the new body some flexibility in the way funding is directed. Although the levy payers and other financial services firms are important stakeholders, it is consumers that ultimately bear the cost of industry levies and public financial guidance is provided to benefit consumers.⁷ The new body should have full control over how its funds are spent so it can deliver against its objectives.

The independence and impartiality of the pensions information and guidance available to consumers is critical. Many financial services providers offer customers the option to speak with an adviser, an increasing number of firms appear willing to re-enter the broader guidance and advice space, and some pension providers have already developed bespoke online guidance and advice tools. These services can be very user-friendly, easy to navigate and present information in an accessible manner. While they may signpost to the new public financial guidance body and independent financial advice, there is a concern that financial services providers will seek to enter the guidance space in order to sell products, and the Government should be aware of this. The financial services industry has not had the best reputation for treating consumers fairly, and Which? outlined some of these concerns in more detail in its response to the Treasury’s consultation on amending them definition of financial advice in November 2016.

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⁷ ‘The effectiveness of debt advice in the UK’, Money Advice Service, October 2012