



Public Financial Guidance Review
Financial Services Group
HM Treasury
1 Horse Guards Road
London
SW1A 2HQ

8th June 2016

Dear Sir/Madam

FCA SMALLER BUSINESS PRACTITIONER PANEL RESPONSE

The Panel has been involved from the start in the work of the Money Advice Service (MAS) and has been regularly consulted on its work and on its Business Plan. We have also provided input in September 2014 to the Call for Evidence in the Review of the Money Advice Service. The principal point we made in that response was that there was significant scope for MAS to do better in the area of accountability, and that MAS should not only be accountable to the public, but also to the industry that funds it. We are, therefore, supportive of the plans in the Public Financial Guidance Review for industry representation on the board of the new money guidance body, representation which must be proportionate and relevant, in order to improve accountability.

We have generally been concerned that the objectives of MAS were too loosely defined to be achievable. The new pensions and money guidance bodies must have clearly defined objectives and performance measures, in order to stand a realistic chance of being successful. We do not consider the role of the money guidance body will require a customer facing-brand, but we believe that its role should be that of a Financial Capability Board or Commission, identifying gaps in provision where these exist. We agree with the Financial Services Consumer Panel ('the Consumer Panel') that it should be a 'centre of expertise' for financial capability, keeping up to date with what works, and with the possibility of commissioning its own research.

Whereas we understand the logic of pooling the resources of bodies which deal with pensions and we support the provision of debt advice, we would like to highlight the point that, as drafted, the money guidance body does not have any explicit objectives relating to younger people. We have concerns that financial capability needs of younger people, other than those relating to debt advice, run the risk of being overlooked in the current plans.

We have consulted with our colleagues on the FCA Practitioner Panel and they are supportive of our approach. We also agree with many of the points made by the Consumer Panel in their response. We support their view of the importance of strong leadership in financial capability strategy, and we particularly agree that the standard of guidance TPAS provides must be maintained, particularly given the current significant reforms of the pensions market.

We consider this is an important piece of work, and that careful construction of the objectives and success measures of the new bodies will set the foundations for a workable system of public financial guidance in the future.

Yours faithfully,

Clinton Askew
Chair, FCA Smaller Business Practitioner Panel

Response from the FCA Smaller Business Practitioner Panel to the HM Treasury Consultation on Public Financial Guidance

General Points

The FCA Smaller Business Practitioner Panel (the Panel) welcomes this opportunity to provide input to the consultation on Public Financial Guidance. We have responded to individual questions below, but have some general points to make which are not covered by the questions in the consultation. Our general points are also supported by the FCA Practitioner Panel.

We believe there is a role for an organisation to provide a centre of excellence for research into financial capability and to identify gaps in the provision of financial advice, building on the work which the Money Advice Service has recently undertaken. We agree that this body should not have a customer-facing brand, but operate as a Financial Capability Board or Commission. This body must have clearly defined objectives and key performance indicators – one of our concerns about the Money Advice Service has been that its objectives have been too loosely defined to be achievable.

We have commented in particular on the governance structure of the two new bodies, and are keen that industry representation on the board of the new money guidance body is proportionate and relevant, in order to improve accountability. We are keen that HM Treasury should explore avenues of funding outwith the financial services industry.

Answers to specific questions

1 Are there any specific guidance gaps in the current pensions guidance offering that you think the new body should fill?

No comment.

2 Are there any pension-related topics that shouldn't be included in the remit of the new pensions body?

No comment.

3 Will these objectives focus the activities of the new money guidance body sufficiently to allow it to improve consumer outcomes?

We support the objective of the new money guidance body to improve financial capability within the UK, but believe that this should explicitly include a general objective on financial education to ensure that the specific needs of younger people are taken into account. As they stand, the draft objectives do not explicitly address the needs of younger people, including school age children, who risk being overlooked if the public financial guidance objectives are focused more on debt advice and pensions.

4 What role do you think the new money guidance body should have in providing research?

The role of the new money guidance body should be as a centre of excellence for understanding financial capability. We would anticipate that the role of the new body would mostly be to identify, analyse and highlight research undertaken elsewhere, but that this would require a certain amount of in-house expertise and we would therefore expect there to be research professionals on the staff. We would not exclude the possibility that it would in some cases be appropriate for the body to commission

research itself, provided that the need for this is clearly identified and that value for money is acknowledged as a priority.

We recommend looking at good practice elsewhere, including organisations outside the financial services industry, such as the Gates Foundation, for bodies which have a commissioning and coordination role for research.

5 Would limiting providers of debt advice to FCA authorised firms rule out any types of provider?

The issue of where the boundary lies between regulated and non-regulated advice is one which is already being addressed in some detail by the recommendations of the Financial Advice Market Review. We support the work of this review and Panel members are involved in the Working Group which has been given the task of defining the border more clearly.

In the debt advice space we would caution against 'legislating against commonsense'. It should be possible for organisations to suggest practical solutions to common debt problems without being required to obtain full FCA authorisation.

6 How could the new money guidance body work with the debt advice providers most effectively to ensure that their expertise is captured and informs contract design?

No comment.

7 How do organisations currently monitor outcomes? Do you have any suggestions for the outcomes which should be monitored?

We agree that monitoring outcomes is more important than simply measuring metrics such as hits on a website or numbers of appointments made. Advice providers should be encouraged to follow up with their clients to discuss behavioural changes as well as actions taken as a result of their interaction.

8 How could "hand off" arrangements be most effectively built into contracts?

No comment.

9 How should the new money guidance body seek to understand the gaps in the provision of money guidance?

We were encouraged by the recent work by the Money Advice Service into identifying gaps in the provision of financial advice and saw this as a good example of what it should have been doing. We suggest that any work done by the new money guidance body should build on this resource, and that it should not be lost as it is a good foundation to start the new organisation on the right footing.

10 Is the planned focus on local and digital financial capability raising projects the right one?

The focus on digital financial capability is welcome in that it should deliver value for money where focused on appropriate consumer segments. We have concerns though, that it should not be seen as the exclusive channel for improving financial capability, because of the diversity of consumer needs and the danger of obsolescence as technology develops. The need for other channels, such as face to face, is still important. Consumers may require different channels at different stages in their lives or when faced with different issues.

We suggest, as well as targeting local initiatives, that more focus is made on the educational establishment and working in partnership with schools and other educational bodies, including the curriculum authorities.

11 What should be included in the partnership agreement between the two bodies, and how could hand-offs best be specified?

No comment.

12 Do you have any other comments on the proposed model?

Governance

One of the Panel's main issues with the structure of the Money Advice Service was the arrangements for its governance and oversight. We agreed with the 2014 review of the Service that 'being fully accountable for its actions helps strengthen an organisation's legitimacy' and that this was an area where there was scope for a better structure.

The Panel believes money guidance services which are funded wholly or in part by the industry should not only be accountable to the public but to the industry which funds it. The Money Advice Service's business plan and budget for the year ahead are currently subject to approval by the FCA and there is a requirement to consult with the statutory FCA Panels, including the Smaller Business Panel, on the annual business plan. But other than this, MAS is not directly accountable to the industry, and there is therefore a mismatch between the source of the funds and the achievement of its objectives.

We are encouraged by the proposals for a small independent Board to govern the money guidance body. Given that accountability to of the new body will be solely to HM Treasury, it is crucial that the membership of this Board is appropriate both in terms of the sectors represented and the relevant expertise. The industry must be strongly represented, both in terms of larger and smaller businesses. The Board must also insist on clear success measures from the organisation, including, but not limited to, value for money and that progress on these is publicly reported on a regular basis.

Funding

Given the focus on debt advice and wider financial capability we suggest that further consideration is given to attracting funding for both the new pensions body, but in particular the money guidance body, from sources other than the financial services industry. Many consumer debt issues will not arise directly as a result of interaction with financial services organisations, but may be as a result of issues with utilities, telecoms or housing issues. This is referred to in paragraph 2.46 of the consultation, but we would encourage HM Treasury to discuss the possibility of funding even more broadly with other sectors in order to better reflect the breadth of consumer debt issues.

Branding

We agree that a strong customer-facing brand for the new financial guidance body, and in particular one that uses the word 'advice' is inappropriate. We suggest that a name such as the Financial Capability Board or Commission would give a clearer indication of its role and function.

13 Would these proposals have any impact on delivery of public financial guidance in Scotland, Wales and Northern Ireland?

No comment.

14 What kind of tools and products do consumers most often use or ask about?

No comment.

15 Which content on the MAS website is most useful for consumers?

The MAS Retirement Adviser Directory is a valuable resource on the website and we believe that efforts should be made to find an appropriate host site, possibly via industry bodies, to allow this to continue.

16 Which content on the MAS website is it necessary to maintain because it is not provided elsewhere?

No comment.

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