



Response to the independent review of the Money Advice Service

Introduction and summary

1. As the UK's financial capability charity, we welcome the opportunity to respond to the independent review of the Money Advice Service (MAS).
2. We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.
3. Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives.
4. We focus our work on four areas: young people, adults, industry, and policy and research. Since 2010 we have delivered free financial education workshops to over 90,000 young people across England and Wales, and worked with housing associations, credit unions, youth groups, churches, women's and homeless charities, and local councils to deliver our adult training courses. We also regularly engage with government and regulators on relevant policy areas, and work with all aspects of the financial services and credit industry to improve outcomes for consumers.
5. We are the only third-sector organisation to have a focus on financial capability across all ages and circumstances, which gives us an interest in a wide range of MAS' work. Additionally, as we are a small delivery organisation, MAS' contribution to the overall co-ordination and thought leadership across the sector is particularly relevant to us. These combine to give us a unique perspective on MAS that we reflect in this submission.

6. The operation and performance of MAS has a significant impact on the diverse range of organisations working in the broad financial capability space. We believe that MAS has the potential to greatly contribute to financial capability in the UK, but at present we have a number of concerns about its approach.
7. These can be summarised as:
 - MAS currently discharges its statutory objectives through the delivery of an advice service. This is a very narrow interpretation of these statutory objectives. Additionally, such an interpretation does not appear to fulfil the original purpose of setting up a separate body with responsibility for financial capability in the UK.
 - MAS' current business model is not set up to improve financial capability in a wide sense, and it will need to significantly change its own delivery method and how it works with and through other organisations to deliver the forthcoming National Strategy.
 - MAS is not currently providing sufficient thought leadership or advocacy for the financial capability sector, which is much-needed across government and with regulators.
 - At present MAS does not appear to have the full confidence of key stakeholders relevant to financial capability. It is vital that MAS retains the confidence of all stakeholders in the financial capability sector, including industry, government, and the third sector.
8. We have responded in greater detail below. Our focus is on the questions that most directly relate to MAS' current work. We also feel that a number of the questions posed in the call for evidence – namely questions 1 to 6 – are precisely the kinds of questions that an organisation with the remit and resources of MAS itself should be answering as part of its development of the Financial Capability Strategy.

In what areas do consumers' awareness and understanding of financial matters most need to be enhanced? Where is detriment most prevalent and most material?

9. As we state above, this is something that MAS should be considering as part of the National Strategy. But we would also highlight that consumers' financial capability is not only about awareness and understanding of financial matters – it is about engagement with money, being confident in dealing with and talking to others about money, and not being intimidated by money. These require changes in attitudes and behaviours as much as awareness and understanding, and it is important that these elements are not overlooked.

What potential is there for the gap in consumer capabilities to be addressed through industry doing more – for example, by reducing complexity and helping make its products more

understandable? How does this compare to the potential for reducing the gap in consumer capabilities through education and advice?

10. It is imperative that the industry steps up its efforts to reduce complexity and make products more understandable. Little real progress has been made in recent years in this space. Most notably, the simple financial products regime has been beset with delays. While some progress is now being made, there is still much more to do in this space. Key facts documents, another initiative intended to assist consumers, are also increasingly complex and in many cases do not fulfil the spirit of their introduction.
11. In addition, such initiatives should complement improved consumer capabilities, not replace them: financial capability encompasses more than just the ability to understand how products operate.
12. The gap in consumer capabilities needs to be closed from both sides: by making products and services simpler, and by improving consumers' ability and willingness to engage with them.

How has the provision of consumer financial education developed over the past 5-10 years? What are the opportunities for the future?

- *How important is the role of commercial and/or not for profit web-based, phone and face-to-face intermediaries now and how might this change in the future?*
 - *What potential does digital technology and social media have to drive further behavioural change?*
 - *What role does and should the financial services industry itself play in the delivery of financial education, guidance and advice?*
13. The statutory provision of consumer financial education has changed greatly in recent years, with the establishment and changing focus of CFEB/MAS and greater third-sector involvement in financial education.
 14. We discuss in more detail below the impact of MAS' decision to move towards a digital-first offering, but one consequence has been the loss of momentum built up from the good work conducted as part of the original 2007-11 National Strategy, which did focus more on broader financial capability. This has contributed to a lack of thought leadership among the sector, and has meant that in recent years the consumer financial education sector has not been able to develop its capacity as it otherwise might have.
 15. There are important roles for web-based, telephone and face-to-face intermediaries in providing consumer financial education. In coming years we expect digital technology and social media to play increasing roles, but these cannot entirely replace phone-based or face-to-face intermediaries, as they are largely limited to answering specific questions or providing specific information, rather than developing

people's broader financial capability or engagement with money.

16. We believe that the financial services industry has a significant role to play in financial education, guidance and advice, but this should be predominantly through funding such services rather than delivering.

Do you think that the strategy set by MAS for interpreting its legislative remit remains appropriate? What improvements could be made?

17. From the outset, MAS chose to interpret its statutory remit very narrowly, through the development of its advice service. It chose to focus its efforts solely on 'the service' and to stop doing the broader financial capability work that it inherited from the Financial Services Authority. Indeed, in the early years of MAS' operation, there was a real belief that it was not responsible for financial capability in the UK.
18. Despite the changes at Chief Executive and Chairman level and despite its attempts to reconstruct a National Strategy for Financial Capability, MAS still seems to interpret its role as solely focussed on the advice service. We believe that the strategy set by MAS for interpreting its legislative remit has a number of flaws that limit its effectiveness and focuses its work too narrowly. MAS was established to improve the financial capability of the UK, of which money advice is only a part, meaning that its delivery model is too heavily focused on answering people's specific questions about money, and not about developing their underlying financial capability.

A digital advice service

19. MAS' decision to commit to a digital-first strategy has had a number of implications, one of which has been to limit what it is able to deliver. MAS' website has a wide range of specific information about various financial products and services, as well as some useful advice and tools. However, there is little if anything about thinking about money, talking about money, or building people's engagement with money. This is very difficult to do online, but is a key element of financial capability – yet because MAS has chosen to focus on its digital offering, it is not delivering this.
20. MAS has also invested large amounts of money in its digital offering and marketing spend to drive traffic to its website. There is, of course, nothing wrong with MAS having a high-quality website, but in our view this has been at the expense of its work in other areas, and the original decision to follow this strategy was not based on evidence nor taken in consultation with other organisations in the sector. This original defining decision continues to influence MAS' interpretation of its statutory objectives, as we note above.

21. At present, MAS' business model is focused on the digital delivery of money advice. Seeking advice about money is an important step for many people, but this focus addresses a symptom, not the underlying cause. Ultimately MAS' aim should be to support people to develop their financial capability so that in as many cases as possible they do not *need* to seek advice, because staying on top of their money is a normal part of everyday life.
22. This focus also requires people to be *aware* that they need advice about a particular issue, and to be engaged and confident enough to look for it. Seeking advice is information-focused and does not emphasise behaviour, skills and attitudes, which we believe are also vital components of financial capability. MAS' website has useful and clear information on a wide range of financial topics, and will be valuable for people who know they need information about something in particular. But it has little for people who simply need support to build the necessary skills to deal with their own money issues.
23. Although it appears that the National Strategy will highlight the importance of wider elements of financial capability such as behaviours and attitudes, it seems as though MAS is still not prepared to make changes to its operating model to accommodate this. It is surely the case that a successful National Strategy that attempts to impact the broader aspects of financial capability cannot be solely delivered online. If the new National Strategy is to be a success, MAS has to be seen to lead the way, by adapting the way in which it works. This will naturally require a shift in resources – both financial and operational – away from the digital channel. We are concerned that MAS has not acknowledged the scale of the change that this will need, or indeed that such a change will be needed at all.
24. We also have concerns regarding the effectiveness of the current digital-first approach. While 16.5m visits in 2013/14 is an impressive total, this represents the total number of contacts, not individuals reached. When this is compared to the number of actions taken, based on MAS' own data, this works out at a conversion rate of approximately 3.9%, or a cost of £121 per action taken (for its 'money advice' we estimate a conversion rate of 4.7%, and £89 per action). Additionally, the 'actions' it tracks are heavily orientated towards taking out particular products – which is very narrow – and only ask if MAS 'influenced' the decision – which is a very low bar.

Direct to consumer

25. A further aspect of MAS' approach that we feel could be improved is its delivery method. MAS has focused on being a 'direct to consumer' brand, rather than working in partnership with existing providers. We note above that MAS' own offering focuses on only one aspect of financial capability, but it also does not at present fund other organisations to deliver financial capability training initiatives.
26. We have serious concerns around how this model will fit with the National Strategy. MAS will not be able to – and should not be trying to – deliver it entirely on its own, and will need to engage far more extensively with the sector than it has done so to

date. This will necessarily include funding third-sector organisations to a relatively large degree. As with the need to develop from its digital-first strategy, it is vital that MAS recognises the need to change its delivery model.

27. In addition, at the moment the financial capability sector is small and highly concentrated, and is not in a stable financial position – this is in part because MAS has to date chosen to deliver its service directly to consumers under its own brand rather than working through the sector. As a large, statutory organisation with significant funds available, MAS could do far more to stimulate the sector and improve its sustainability, which will in turn build the sector's capacity to deliver parts of the National Strategy.
28. Ultimately, if MAS is to succeed in reaching consumers through the National Strategy, it has to change its approach: it can't be done solely online, nor can it be done by MAS alone. MAS will need to deliver some parts of the Strategy itself (in a different way), to fund partners in the financial capability sector to deliver other parts, and influence government and industry to deliver and fund others. We have seen no evidence that MAS has recognised the significance of either the need to adopt a multi-channel strategy, or the need to distribute funding to and work in partnership with other organisations to deliver the National Strategy. Without action in these areas, a major opportunity to improve financial capability in the UK will have been missed.

Policy and advocacy

29. At present MAS' policy work is very limited, and that which has been done has been conducted in isolation. We don't expect the financial capability sector to speak with one voice on every issue, but on broad issues affecting the sector – such as the implementation of financial education in the curriculum, or the boundary of what constitutes 'debt advice' – MAS should be far more active in co-ordinating and acting as a champion for the sector as a whole.
30. We are concerned more widely that financial capability is slipping from the political agenda, particularly with regard to young people with the inclusion of financial education on the National Curriculum. MAS is extremely well-placed to influence policymakers, regulators and others to continue to focus on financial capability, and it is highly important that it does so. At present we have seen little evidence of this.
31. Frustrated at the lack of action and joined-up working in the sector, we, along with other organisations involved in the provision of financial education to young people, recently established the Youth Financial Capability Group (YFCG). MAS has attended some of these meetings, which has been a positive step, but in our view MAS should be doing much more in co-ordinating and advocating for the financial education sector, and engaging with them meaningfully and more widely in the development of its own work. We recognise there has been some progress in this

area regarding the development of the National Strategy, and we hope it continues.

What role should MAS play in supporting the provision of education in schools? Do you agree that MAS should limit (as now) the role it plays in or should it divert resources to this area?

32. The primary responsibility for delivering education in schools lies with the Department for Education, but given MAS' statutory objectives it clearly has a role to play in ensuring the delivery of financial education is consistent and of a high quality. There was a significant loss of momentum within the sector when the funding from the previous National Strategy and government came to an end, and although the topic's inclusion in the National Curriculum is a positive step, the Department for Education is not at present providing funding or training for its delivery.
33. While we don't believe MAS should fund financial education in the long-term, there is a need for seed funding to build the capacity and sustainability of the sector in the short-term. MAS also needs to take a greater role in lobbying the Department for Education to properly support financial education; while there has been concern among stakeholders within the sector about this, MAS has not been vocal in highlighting this to the Department, nor was it vocal regarding the initial campaign to include financial education on the curriculum.
34. There are several organisations in the private and third sector – including us – that are currently delivering financial education in schools. While the forthcoming introduction of financial education into the National Curriculum in England is welcome, the lack of action risks sending the message to funders of financial education that the job is done, despite the current lack of support for the topic's delivery in schools. The continued operation of financial education programmes cannot be taken for granted, and it is essential that MAS and government more widely understand this – corporate priorities can change, pfeg has recently merged with Young Enterprise, and our own funding for our work in schools is not guaranteed year on year.
35. Therefore there is a clear need to co-ordinate the sector and focus its advocacy. MAS is a high-profile and well-resourced organisation with far more scope to influence policy than the organisations we mention above. If it isn't directly funding financial education as part of its interpretation of its statutory remit, MAS should be pressing the Department for Education and the financial services sector to do so, in collaboration with financial education organisations, to ensure that the sector is on a sustainable financial footing and is able to expand at this pivotal point.
36. In developing our response to this call for evidence we have consulted with our colleagues on the YFCG. Although the views in this document are our own, there was a high degree of consensus within the sector around the way in which MAS

needs to adapt its work around advocacy and engagement.

What are, and will be, the needs of consumers in the retirement/decumulation phase of their lives, especially given the changing nature of retirement itself and the evolving retirement income market? What role should MAS play in supporting consumers to meet these needs?

37. The nature of the changes to the retirement income market following recent policy announcements will not be fully known for some time, but are likely to significantly change the needs of consumers in the retirement/decumulation phase of their lives. Similarly the changing nature of retirement – which could also be affected by the reforms – will also affect individuals' engagement with money in later life.
38. Both of these developments clearly affect the financial capability needs of consumers, as we have pointed out elsewhere. In summary:
- People approaching retirement will face a far greater number of options.
 - Some of these options will be new products brought to market as a result of the reforms, and may be complex.
 - This is exacerbated by limited levels of understanding of the current, far simpler rules and options.
 - Therefore there is a genuine risk that this will lead to relatively uninformed people making highly important decisions between a wide range of complex products.
39. The guidance guarantee is in principle a welcome step towards getting people to engage with their money, and is precisely the sort of area in which MAS should be taking a lead. Additionally, if every retiree were directed to MAS as part of the guarantee, it would allow MAS to reduce its advertising spend and therefore allow it greater flexibility in how it operates as we have noted earlier in this response.
40. The exact way in which MAS will contribute to the delivery of the guidance guarantee is unclear at present, but there are a number of indicators that suggest it will not have a clear leading role: HM Treasury will have at least initial responsibility for leading the implementation, the Financial Conduct Authority will be responsible for setting the standards for the guidance and raising the levy, and the guarantee will be delivered under a separate brand.
41. This leaves MAS as either a middleman between the FCA and providers, or simply one of several delivery organisations alongside TPAS, Citizens Advice, and others. Neither role seems appropriate for MAS' position as a single statutory body tasked with enhancing members of the public's ability to manage their own financial affairs. The transfer of responsibility for co-ordinating debt advice was a significant intellectual step in uniting the debt advice and money advice agendas; it would contradict this positive move if statutory responsibility for pensions advice were separated from debt advice and money advice.

42. Limiting MAS' role in the delivery of the guidance guarantee in this way also sends a concerning message regarding the degree of trust government currently has in MAS. The underlying aim of MAS is to give advice and education about money to a wide range of people, but in our view this aim is undermined if MAS is not trusted to play the leading role in the delivery of a new policy initiative that focuses on helping people to make decisions about their money. The guidance guarantee could be an excellent opportunity to drive people to MAS' service, and it is important for the service's future operation that government feels able to trust MAS to deliver initiatives like the guidance guarantee. In our view, this should be the government's long-term aim, for if it is not, it fatally undermines MAS' original purpose and statutory objectives.

To what extent should the FCA's new statutory remit affect the relationship between the FCA and MAS?

43. The FCA's responsibility for consumer credit regulation, its narrower focus than the FSA (with prudential regulation now transferred to the PRA) and its approach to regulation that focuses on how consumers actually behave, mean that it is better-placed than the FSA was previously to lead on financial capability.

44. As there were when the Consumer Financial Education Body was initially established as a separate body, there are pros and cons to both having financial capability as the sole focus of a particular body, or combining regulation and financial capability within the remit of a single organisation. As we raise above, the fact that both FCA and HMT are playing such pivotal roles in the provision of the pensions guidance complicates matters and undermines the need for MAS to be a separate entity.

45. We believe that the intellectual case for a separate body dedicated to financial capability can still be made, but only if MAS revisits its offering and delivery model, as we highlight throughout this submission, to take on full responsibility for financial capability and not just advice. It also needs the full confidence of other stakeholders, including government departments, to take on responsibility for all aspects of money advice, which the current situation regarding the guidance guarantee suggests is lacking at present.

What sort of people, skills and experience do you think MAS needs over the coming period, in order to be effective?

46. We have been clear that MAS needs to be prepared to adapt its business model and methods of delivery in order to effectively deliver the National Strategy, which we believe should be its primary focus over the coming period.

47. This will mean it need to shift its focus from its digital-first strategy, and will have less need for people whose primary expertise lies in this area. Instead it needs people with an in-depth, broad understanding of financial capability.
48. Additionally, MAS will need people who understand those it is trying to reach. Exactly who it is trying to reach will depend upon the National Strategy, but MAS has previously recognised that reaching people at 'teachable moments' is an effective way to improve people's engagement with money. If, therefore, MAS is to target particular groups of people, it will need to both partner with organisations that specialise in those areas and recruit people who understand those sectors.
49. This approach has previously been successfully used by the FSA to reach schoolchildren (by working with teachers), at-risk young people (by working with youth workers), and new parents (by working with midwives), and has a number of benefits. Firstly, it develops an understanding of the needs of that group and opportunities to reach them. Secondly, it builds credibility by working with people already known to and trusted by the sector, and makes it a genuinely collaborative process rather than a 'top-down' paternalistic approach. Finally, by using expertise within MAS as well as external organisations, it allows for the whole sector to be reached, not just those who are represented by MAS' external partners.

Conclusion

50. The independent review of the Money Advice Service is a timely opportunity to consider the work that MAS has so far done and its priorities in the coming years, and we welcome the opportunity to outline our experience of MAS' contribution to the financial capability sector and our thoughts on its current operation. As we have set out in this submission, there are several ways in which we believe MAS needs to adapt its work. These include revising its interpretation of its statutory objectives to support financial capability more widely; developing its non-digital offering and reallocating its resources appropriately; and working more closely – including distributing funding – to third-sector organisations. We recognise that these are significant changes to the route MAS has chosen to take to date. However, we believe that they are essential if MAS is to fulfil its original purpose of improving the UK's financial capability.