



Response to 'amending the definition of advice'

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts. It reduces stress and hardship, and increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

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.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

The **MONEY** *Charity*

Introduction

1. As The Money Charity has argued before, the definition of financial advice is in urgent need of updating. The current definition of advice is preventing organisations who want to offer useful guidance outside the regulatory boundary from delivering guidance in some areas and therefore denying consumers access to services they need.
2. In what this consultation proposes, we support bringing the RAO in line with the MiFID. Creating a single definition for regulated advice which makes it clear that regulated “investment advice” involves a personal recommendation will mean organisations involved in providing other forms of helpful “guidance” will not be deterred from offering services consumers need.
3. The Financial Advice Market Review (FAMR) recognised that many people in need of advice were priced out of regulated advice and organisations were put off from offering lower cost forms of “guidance” for those *‘with smaller amounts of money or with simpler needs’*. The changes to the definition of advice here should mean that some people with smaller pots are given access to guidance they might otherwise have been denied.
4. However, this is only a small part of the problem. There is a need for redefining advice – and defining “guidance” – far beyond the scope of investment. Many arguments for making this change can be similarly applied to other areas of money management such as debt and savings. For instance, there are significant numbers of people struggling with debt, or simply wishing to improve the way they manage money in order to pay off debts and save who are not currently able to get debt advice. Similarly in that market, groups (like ours) are putting off providing “guidance” in this area because of regulatory uncertainty. Alternatively, groups are offering services in this area completely unaware of the regulatory rules governing debt counselling.
5. HMT must engage with these wider issues, consistently regulating “advice” and providing clear definitions of “guidance” for not only investments, but also debt, borrowing, insurance and a whole range of other personal finance issues.
6. This consultation retains FAMR’s focus on consumers *‘with some money but without significant wealth’*. In doing so, it does identify a real gap for one group who are not being adequately served by financial advice, and we support focussing on this area, but we argue that this gap cannot be met only by providing clarity in the regulation of investment advice.
7. It is not only price preventing the group with some wealth from seeking regulated advice. For many consumers, an IFA simply does not offer them a huge amount of value that their own research, alternative sources of advice and shopping around cannot.

8. In reality Not-For-Profits, price comparison sites and websites such as Money Saving Expert have filled the gaps left by regulated advisers. The clarification of 'regulated advice' so that an activity is only regulated if it carries a personal recommendation will not solve the money advice and guidance needs of the vast majority of people who need help managing their money.
9. To fill this gap, we must instead positively define what these organisations can do. Currently, in each market (credit, mortgages, insurance, debt....) organisations are told what they cannot do. The extent of this varies from market to market, so organisations find it very difficult to know what they are able to say to consumers - particularly when (like The Money Charity) they often touch upon several different areas in wide ranging conversations about money with clients.
10. These organisations are the future of financial "guidance" for all but those with large investments to make, so what they are allowed to do must be defined positively, and the parameters should be in one place, not hidden in regulation market to market.
11. Recommendation 3 of FAMR does promise to '*consult on new guidance to support firms offering services that help consumers making their own investment decisions without a personal recommendation*'. The Money Charity was pleased to find this in the FAMR report, but we believe that this would be a vital opportunity to open this out and define guidance more helpfully across different personal finance needs.
12. As an organisation working in financial capability with young people and adults, we are not equipped to answer every question in the consultation, and have done so only where we have a view.

Q1. Is the proposed wording a suitable and effective way to achieve the stated policy objective? Is there anything else needed in drafting terms in order to achieve the policy objective set out above?

13. The wording seems clear enough to meet the stated objective in the sphere of investment advice. It provides adequate clarity for firms who are providing guidance services to know what they are able to do without stepping over the line into giving advice that would need to be regulated.
14. However, HMT should not simply be telling organisations what they are not allowed to do without being regulated advisors, they should be providing clear definitions of what “guidance” constitutes. Only then will these groups feel permitted and empowered to engage in the activities outlined in the objective.
15. We look forward to the consultation suggested in recommendation 3 of the FAMR, which will hopefully have this in its purview. *The ‘series of illustrative case studies highlighting the main considerations firms need to take into account when developing such services’* will be particularly welcome in this respect.

Q2. Do you agree that these are the main costs and benefits that firms and consumers will face?

16. The costs and benefits outlined seem to be a reasonable appraisal. Although we would like to see further changes to the regulation of advice and definition of “guidance” in other markets, we share the view that the benefits of this change hugely outweigh any costs.
17. We fear to some extent that firms who are currently staying well short of the regulated advice boundary may respond to the greater distinction and clarity between advice and “guidance” by coming very close to the line - or even crossing it. HMT should monitor the situation as a new “guidance” market develops and be ready to respond to any costs that arise.

Q4. Do you agree that the regulatory requirements set out above are enough to limit the commercial benefit of unregulated firms providing guidance on regulated products?

18. The regulatory requirements set out in the consultation document are, in our judgment, appropriate to preventing unscrupulous unregulated firms seeking to profit from the distribution of guidance products.

Q.9 Is there anything else that we should consider in the context of this change to deliver affordable and accessible advice to consumers?

19. This consultation will provide a meaningful change to the advice and “guidance” in investments – particularly for those with some, but not a lot of money to invest. But that still only solves the advice gap for a still small portion of the population, and only

with one of many financial issues people face. This kind of regulatory clarity, as well as a better definition of what “guidance” entails needs to be brought to the far wider array of money issues that people face.