



The Money Charity's response to The MAS Business Plan 2017/18

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, reducing stress and hardship. This helps you achieve your goals and live a happier more positive 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.

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

The single body addresses many of our concerns from previous proposals

1. Our response to initial proposals to replace the Money Advice Service, Pensionwise and The Pensions Advisory Service expressed three main concerns¹:
 - a. Splitting pensions and money guidance was an artificial divide that did not recognise the increasing integration of retirement saving and wider financial management.
 - b. Money guidance was to be delivered entirely through a commissioning model, which is not always appropriate.
 - c. The loss of a public brand would mean no one-stop-shop for those with general or ill-defined money issues.
2. Though the current consultation is not as detailed in addressing these as we might hope, we are very heartened by the new proposals the Treasury has brought forward. With a single body, mixed model of delivery and the maintenance of a website and public brand, there is much more scope for an effective, responsive organisation that can provide for the complex financial guidance needs of people in the UK.
3. The decision to create a single body is particularly vital. In a world where pensions saving and retirement income is ever more linked to saving and other life-long financial behaviours, older people are participating in the labour force at ever higher rates, and government policies such as the Lifetime ISA are further blurring the boundary between general savings and pensions, it never made sense to have two organisations meeting a single bundle of needs. We are therefore delighted that the government has listened and reconsidered.
4. The provision made for a mixed delivery model means far greater flexibility in how the successor body can operate. We were very pleased that the bodies proposed last year would move away from providing money guidance completely in-house and would begin to harness and bolster the strengths of other organisations working in the areas. However, the complete loss of any in-house delivery would have meant inevitably that a brand would be lost, along with the opportunity to provide a one-stop-shop for all things money.

Some concerns remain and opportunities are missed

5. The revised objectives **do not value financial capability highly enough**. Debt, pensions and now, scams, are potentially well defined areas of work where financial capability and education are much vaguer. As we have repeatedly found with MAS, where areas have narrow focus and easily measurable outcomes (debt advice), they tend to win out in the battle for resources over areas which have diffuse and difficult to measure outcomes (financial capability, guidance, education). So we fear the current year-on-year shift of resources towards debt advice will persist, with

¹ <http://themoneycharity.org.uk/media/TMC-public-financial-review-proposals-response.pdf>

pensions, debt and scams being the beneficiaries at the expense of guidance, capability and education.

6. The Financial Capability Strategy provides great networking for groups like ours, and produces useful research, but does not provide the sector with the leadership that it needs. The new body should feel entitled to shape the financial capability sector, not simply create avenues for those working in it to network and share ideas, and has an opportunity to use its commissioning clout to aid this.
7. We still fear that while TPAS and Pensionwise are being merged into the body, they may remain functionally separate. There is not enough clarity in this consultation as to what degree pensions will remain a separate subsection, or whether opportunities to create holistic, life-long money guidance that sees retirement planning and provision as a part of people's wider money management will be taken. If these bodies are merged into the single body, but remain functionally independent, it will be a missed opportunity – all the concerns we had about hand-offs and pensions-specific guidance being unfit for the new environment² will remain.
8. The new body should be accountable to the Treasury. It's the only organisation capable of managing all the stakeholders needed for a fin cap strategy. From local authorities and the Department for Education to businesses and the Department for Work and Pensions, only the Treasury has the wide stakeholder relationships that are required to lead a successful financial capability and money guidance body.
9. The reluctance to spend huge amounts on general advertising is understandable, but the merging of the pension guidance services provides some scope of building and growing a brand. We do not advocate a repeat of the campaign MAS had in its early years, but a public facing brand should be cultivated and marketing, particularly to stakeholders such as community groups and housing associations, should be a priority. The new body should not expect to be well known overnight, the aim should be to become a fixture with the same brand over the long term, gradually building its name, not reinventing itself every few years.
10. We answer each of the questions where we have particular insights below.

Q1: Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?

11. Public financial guidance should account for disability by insuring that guidance is available through alternative channels, not simply the internet or by phone.
12. All people may become vulnerable at certain points in life, even those who are seemingly resilient - through divorce or bereavement for example. So any money guidance service ought to be accessible at all points in life and be able to address holistic money concerns, not confining itself narrowly to problem debt and pensions.

² <http://themoneycharity.org.uk/media/TMC-public-financial-review-proposals-response.pdf>

13. In addition, there is a further cohort of individuals, in fact the majority of the population, who might not traditionally be categorised as vulnerable, but who are nevertheless vulnerable to the consequences of poor financial decision making or through not engaging with their finances. This can lead to unmanageable debt, and in turn, stress and anxiety. The importance of preventative holistic money guidance for this group should not be underestimated.

Q2: Do you agree that these areas capture what the broad role of the SFGB should cover?

14. The areas outlined in this remit, taken as a whole and treated with equal esteem, are adequate constituent parts of a wider mission to improve financial capability in the UK. However, we have two ongoing concerns with the remit:

- a. There is no overarching aim to improve financial capability
- b. Specific components of financial capability such as debt, pensions and scams seem to be given precedents over broader, more preventative aims

15. The original MAS remit included a commitment to:

- *enhance the understanding and knowledge of members of the public of financial matters (including the UK financial system); and*
- *enhance the ability of members of the public to manage their own financial affairs.*

16. We urge the Treasury to provide the new body with a similarly overarching remit. Helping people deal with problem debt, providing for retirement, fighting scams, and financial education are all components of building a financially capable UK. This should be recognised in the remit, rather than listing financial capability as one of five areas.

17. As in the earlier consultation, we understand that there has been an effort to make the remit more prescriptive in response to the perceived shortfalls of MAS. But to narrow the objectives so much as can be found here will limit the strategic flexibility that the new body will have. With technology rapidly changing the way that people interact with financial products and the benefits system, there is no guarantee that these narrow five aims will adequately address the challenges facing the body in a decade's time.

18. Instead, an overarching objective should be maintained and muscular oversight should come from the Treasury. Getting the leadership right and providing clear accountability to the Department and ministers.

19. This consultation document is not hugely detailed anywhere, but the areas where the greatest clarity can be found are debt and pensions. In part because these are ongoing, in some sense discreet and successful work streams, it is easy to imagine what the new body will be doing in these areas. As we have found with MAS, having some areas of work that are well defined, with clear and measurable outcomes – and areas where there is substantial political support for resources being put in – set

against other areas like financial capability projects where outcomes are more diffuse and work is not as established ends up with a drift of resources from one to the other. Year after year, MAS has shifted money into debt advice and away from other areas, spending two thirds of its delivery budget on debt advice. It's not difficult to imagine the new body going in a similar direction, becoming a debt and pensions body with a small side-line in financial capability and education.

20. We therefore urge the Treasury to maintain the budgets of these other areas and prevent the new body from undergoing this slide.
21. While we have no objection to the inclusion of scams in the new body's work, they are already part of the remit of the FCA, ICO and OFCOM. A single body with accountability for certain anti-scam activities might have advantages and consumers are likely to see it as logical. But transfers of responsibility of this kind have not always worked out well, and it is not clear from this consultation document exactly how these responsibilities will be met, whether this will mean additional levies and how this activity will coordinate with those other bodies. Any new area of work such as scams should be paid for out of additional funds, either from the levy of direct from a government department, and should not take resources away from other areas.

Q3: Do you agree that the SFGB's financial capability initiatives should focus on priority groups such as those who are most in need of support to build resilience?

22. There is a clear need to build and maintain political and other stakeholder support for financial capability initiative and with finite resources there does have to be some targeting of those groups in most need of improving their money management. Both these things have to be factored into the new body's decision making, and make good arguments for a focus on priority groups, particularly the '*squeezed*' and '*struggling*' segments already prioritised by MAS in their latest business plan.
23. That said, financial capability initiatives, particularly general money guidance should not be designed with the assumption that they will be of use to only low and middle income people. In reality, the vast majority of people need help with their budgeting skills, to better understand financial products and how to plan for retirement. So while specific interventions should be targeted at particular groups most in need of support, the wider offer, particularly the website, should be aimed at a broad audience.
24. Then the new body is written in statute, it is very important that its remit no be limited to particular groups. This would tie the hand of management and the focus on these groups will happen anyway due to political pressure and practical resource constraints.

Q4: Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations to improve financial capability?

25. Yes, there is no other organisation with the potential leadership role in financial capability other than the statutory body. However this statement on its strategic role here offers too little direction and does not give the new body the teeth that it would need to lead the sector. If the new body is to succeed in leading the financial capability sector, it needs its strategic role and operating model to be set out clearly in statute
26. One of the strengths of a model that involves commissioning services is that the strategic body should be able to use its financial clout to shape the sector.
27. Commissioning and direction from a strategic body can do far more than simply increasing the funding in the sector. If reliable funding streams are available from an engaged funder that sees it as its job to lead the sector strategically, that funder can shape the work those organisations do over the long term.
28. As remarked upon in our response to the MAS business plan³, *‘though the work is far from where it needs to be⁴, one of the areas of delivery where the most work is going on is financial education in schools. There are excellent justifications for why this should be the case, but if we are honest about why this actually is the largest element of The Money Charity’s work, it is because it’s the area of financial capability where the door is widest open. Many schools are looking for ways to deliver financial education, so it’s relatively easy to find an audience, and compared to work with adults, funding is easier to come by.’*
29. If, for instance, the new body were to focus on workplace financial capability programmes for a period, and put money behind that, organisations like ours would grow their capacity in this area. Programmes and expertise would develop. Over time, this work would institutionalise, be able to prove its own worth and compete for alternative sources of funding. But’s it’s very difficult to make any of this happen without a solid backing for a committed leader in the sector.
30. Our hope is that the new body will take this kind of leadership role and feel able to shape the direction of not just its own work, but the wider financial capability sector, partly through commissioning.

³ <http://themoneycharity.org.uk/media/The-Money-Charity%E2%80%99s-response-to-The-MAS-Business-Plan-2017-18.pdf>

⁴ http://themoneycharity.org.uk/financial_education_schools/

Q5: How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?

31. As participants in the MAS What Works Fund, we have high hopes that interventions can be robustly evaluated and can lead to confident commissioning decisions from the new body. The commissioning role should go beyond simply funding trials - not least because a high proportion of the money spent goes on evaluation, rather than delivery – but where areas are understudied, or providers need more evidence for their intervention to seek funding, the WWF should continue.
32. However, to really find out ‘*what works?*’ the fund will need to have focus on specific areas, testing different types of intervention in the same area. For very understandable reasons, MAS has so far chosen to support and evaluate a wide range of projects across several different areas. In the area we work in (financial education in schools), MAS has not gone forensically through the different types of interventions – direct delivery, in-house, teacher resources – and funded trials of each. This is no huge problem, we will still end the process with robust evaluation of some interventions. But we will not have a comprehensive understanding of which specific methods work best. Both of the practical challenge of commissioning, and for the wider understanding of stakeholders, the new body ought to take a more focussed approach to finding out what works, perhaps by singling out particular sectors one at a time and testing all the alternative interventions in those areas.
33. Specific MAS research projects have also been very useful for those working in the sector to:
- a. understand the challenges we face
 - b. to make the case for what we do
 - c. to frame our work and challenges for funders
34. There is no other body that will be able to commission research and drive the agenda the way that the single body will be able to, so this work should continue. If there is one concern we have about MAS’ research is that it spends too much time and money framing the financial capability problem, and not enough evaluating what can be done about it. Regularly reports will come out telling us that all adults, or some smaller section of the population have low financial capability and need help⁵, but are less strong on what interventions could be made to improve the situation. Often these insights are very interesting, but it’s well known that financial capability is broadly low, and with finite resources the new body should focus more on solutions, rather than framing problems.

Q6: In what ways could the SFGB co-ordinate and add value to the provision of financial education?

35. We stated in our response to the MAS business plan⁶ that what they are doing in financial education is now one of their strongest work streams. The leadership,

⁵ <https://www.moneyadvice.service.org.uk/en/corporate/research>

⁶ <http://thefmoneycharity.org.uk/media/The-Money-Charity%E2%80%99s-response-to-The-MAS-Business-Plan-2017-18.pdf>

research into the state of delivery, and now resources and evaluation of the sector through the WWF is very welcome and we believe will be a real boost to the delivery of financial education in schools.

36. As a participant in the financial education component of WWF, we are excited about this opportunity. It is not only that the WWF funding will allow us to expand what we do that's so exciting. As our research into financial education last year showed⁷, robust evidence that it works would be one of the main things teachers and schools would need to push it up the agenda. So this chance for organisations like ours to prove the impact we're having can ensure that financial education actually happens in schools and this vital life skill is taken more seriously in the classroom.
37. In the wake of the 2014 decision to put financial education on the curriculum, it felt to many in the sector as if attention turned away – it was imagined by many that the job was done and now young people would receive financial education. That reality never was, and the both the significant commitment of funding through the WWF and the commitment to robustly evaluate work that's going on is a re-engaging with this work that we believe will invigorate the sector.
38. We would encourage the new body to continue this work championing and supporting financial education. But research has shown that financial education is under-resourced – the new body will not be able to make up the shortfall by itself and should play a role in securing the resources that financial education needs from Government and other stakeholders.

Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?

39. A mixed delivery model means far greater flexibility in how the successor body can operate. We were very pleased that the bodies proposed last year would move away from providing money guidance completely in-house and would begin to harness and bolster the strengths of other organisations working in the areas. In the initial proposals, it was unclear where the website and its tools would end up and we support the commitment for the new body to retain responsibility. We regularly refer people to tools on the MAS website and large numbers of our stakeholders do the same. The loss of the website would have not only limited the new body's reach to individuals, but would have been difficult for hundreds of organisations who work in ways large and small to help people improve their financial management.

Q8. How should the SFGB ensure that it engages consumers at the right time for them?

40. The right time to engage with consumers is the time when they are most likely to do something in response to the information or advice they have received. With the specific challenges of pensions and debt, there are moments in people's lives when

⁷ http://themoneycharity.org.uk/financial_education_schools/

they need to be made aware of services that exist, and the new body should continue the work done by the free debt advisors and pensions guidance services.

41. There should be no repeat of the mass advertising MAS commissioned in its early years, but the new body should be mindful that there are organisations working in communities across the country delivering some form of money guidance, either as the main part of their work (like us) or as part of a wider offer (youth groups, housing associations). Awareness and avenues for working together amongst these groups is key to reaching people at the time that is right for them.

Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?

42. The new body should be flexible in how it directs funding – both to address changing challenges and to find the most appropriate means of meeting those. However, this flexibility should not extend to the decisions to advantage one area of delivery over others. As mentioned above, the drift MAS has made away from being primarily a financial capability provider to being a debt advice provider over the long term has transformed that organisation. the Treasury should be robust in ensuring that the new body's leadership does not end up taking similar decisions and maintains its commitment and capacity in financial capability and education.