The Money Charity response to the HMT public financial guidance consultation

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. 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.

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.

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)

Introduction

1. The Money Charity welcomes the public financial guidance consultation (PFG). The original aim of setting up the Money Advice Service was to create one independent organisation with responsibility for financial capability and all aspects of generic money advice including debt and pensions. The reality we see today is fragmented with Pension Wise and TPAS given their own brands and financial capability, which should be the umbrella under which debt and pensions guidance sits, is relegated to the background.

Key points

2. **The responsibility for financial capability and money advice, including debt and pensions should sit within one statutory body with a single public brand.** Whether this body is MAS, a successor organisation, or brought into the FCA, there should be one brand and one point of access for financial capability and money advice throughout people's lives. The case for this is even stronger than it was when CFEB/MAS was created in 2010. Throughout this response we will refer to this concept as the 'Statutory Body'.

3. Worryingly, the PFG appears to set out a vision of money advice provision that **focusses narrowly on pensions and debt,** and asks '*what role, **if any**, should a statutory body have in supporting financial capability?*' In its development, MAS was conceived as a *'new authority [that] will take the strategic lead on consumer education and information provision relating to personal finance'*[1]. This role should be maintained in any statutory body.

4. **Improving financial capability in the UK was a central part of what MAS was set up to achieve**. That financial capability has slipped down the agenda does not mean it ought to be abandoned. We argue that financial capability needs to be the core service and outcome of a Statutory Body with money, pensions and debt advice as some of the services delivered to achieve this.

5. One of the problems with the **current guidance landscape is that it is fragmented**. Consumers are asked to go to StepChange for a debt problem, or Pension Wise when considering what to do with their DC pension pots. But people's financial needs are in almost every case holistic. Saving for retirement cannot be disentangled from managing debt, budgeting, holistic money management and capability. If, as the PFG suggests, the core services are envisaged as free-to-client pension guidance guarantee and debt advice appointments, it simply will not meet the complex realities of money management.

[1] http://webarchive.nationalarchives.gov.uk/20090709052919/http:/www.hm-treasury.gov.uk/d/reforming_financial_markets080709.pdf

6. The justifications set out in MAS' *'Financial Capability Strategy'*[2] and elsewhere for a body that **coordinates and champions financial capability and education**, as well as provides money advice remains strong. Everybody, at every level of income would benefit from stronger financial capability[3]. To pare down provision to pensions and debt misses the much greater prize of building a financially capable UK where financial education and money advice is available throughout life so consumers can avoid problem debt and understand how to save for retirement.

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?

7. Public financial guidance should account for disability by insuring that guidance is available through alternative channels, not simply the internet or by phone.

8. All people may become vulnerable at certain points in life, 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.

9. 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 therefore of preventative holistic money guidance should not be underestimated.

Q2. What additional, or alternative functions and structures could a statutory body put in place to effectively coordinate debt advice provision? + Q3. What role should a statutory advice body have in providing quality assurance and setting standards for debt advice? + Q4. What scope is there to rationalise the funding of public financial guidance provision on debt?

10. As part of a wider body that also coordinates financial capability and provides money advice, debt advice ought to be free at the point of use and commissioned or delivered through a statutory body that provides a single point of access and single brand for money advice throughout life.

11. Problem debt, at the point that it becomes a crisis and people seek debt advice, is usually a culmination of a much wider set of financial problems. People ought not to simply have free debt advice at the point of crisis, but access to holistic money advice throughout life. This also brings with it the added benefit of providing an entry

[2] http://www.fincap.org.uk/uk_strategy

[3] http://comfy.moneyadviceservice.org.uk//system/comfy/cms/files/files/000/000/264/original/Barriers_and_Building_Blocks_Presentation.pdf

to money/debt advice at a much early point in the process, meaning that more people are likely to access debt advice earlier and when they need it.

12. To achieve this we believe that there needs to be one statutory body with a joined up brand that provides money advice throughout life, including debt (and pensions) but also able to deliver everyday financial advice that:
    a. Can triage consumers, directing them to advice that best suits their needs
    b. Is holistic, able to address not just debt, but wider money issues
    c. Is able to make early interventions so that a debt (or other money) problem does not become a crisis.

13. However, the reality does not achieve this. There is clear duplication in the debt sector in a number of different ways. Firstly, the not-for-profit organisations that provide debt advice have grown up organically over many years. Whilst they are a mature sector providing vital services to those in need they are also fragmented. Different organisations, with different brands, different standards and different delivery channels. Perhaps most importantly, they also all have different funding mechanisms, despite in essence all ultimately being funded by the financial services industry. Clearly more progress could be made towards rationalising the sector and ensuring it functions in the best interests of consumers if the funding mechanisms themselves were rationalised. This would be best achieved by the Statutory Body being able to commission appropriate debt advice service which meet the needs of consumers.

14. Secondly, there also appears to be some duplication in the current model between the FCA and the MAS. As noted in the consultation document, there is some disconnect between MAS' quality assurance role and the FCA's regulation of the debt advice sector. For this reason, the debt sector probably provides the most significant justification for considering bringing the Statutory Body back into the FCA. The statutory advice body would benefit from integration with the organisation responsible for the regulation of credit and debt advice.

Q5. What additional or alternative functions and structures could a statutory body put in place to effectively coordinate public financial guidance on pensions? + Q6. How could the organisational delivery of public financial guidance on pensions be improved to provide greater efficiency? + Q7. What scope is there to rationalise the funding of public financial guidance provision on pensions?

15. When MAS was set up, we expected and hoped to see it coordinating pensions advice. The creation and possible expansion of Pension Wise has undermined this vision and created a pensions guidance system that is entirely hived off from wider money advice. We would not support this fragmentation in any case, but the liberalisation and individualisation of pensions in both accumulation and decumulation phases make the argument for pensions advice being broader than one or two sessions in the lead up to retirement.

16. Where before consumers would have a relatively simple set of decisions to make at retirement (or simply receive a DB pension), now there are multiple ways that people are accumulating for retirement income and as many options available during decumulation. In order for these changes not to store up serious problems for individuals and society, we must make sure that people are able to engage with savings and their retirement plans from the moment that they start working through to the last years of their lives.

17. This service cannot be delivered through a body set up entirely to provide one or two free guidance sessions in the decade before retirement. It must be a cradle to grave body giving information and advice on all money matters from budgeting and saving to credit and investments.

18. The situation that we find ourselves in now not only splits pensions guidance from the rest of money advice, it is fractured even within the pensions space, with numerous organisations delivering different parts of the delivery of the Pension Wise journey - A situation which is clearly not in the best interests of consumers and undermines the push to engage them in taking guidance on their pension decisions. It was always the intention that the Statutory Body would commission others (such as TPAS or CAB) to do some of the delivery of its services. But it is clearly untenable that we now have two brands - MAS and PensionWise now both doing the co-ordinating, and both being branded and marketed to the consumer. The government has spent money creating and marketing a new brand, when it would have been better placed contributing towards awareness of one Statutory Body, not creating new brands for each point of life. In addition, even if the consumer does approach PensionWise there are parts of the process where they are passed back to MAS (the retirement directory and the wake up packs). If government does not believe that MAS are the right brand for PensionWise and continues to promote a separate brand, then that brand must be used for all and not just some of the journey.

19. As well as multiple delivery partners and brands, there is also duplication in the oversight of PensionsWise. The funding and regulation by the FCA of the PensionWise service is equally confused, with money being raised by the FCA to be passed back to HMT (and presumably now via DWP), to then be passed on to the delivery partners. Equally, that the government will be commissioning these services but that FCA will be ensuring the quality seems disjointed and ineffective. The government must take this opportunity to rationalise not just the delivery but also the oversight of pension guidance in the best interests of the consumer.

Q8. Are the statutory objectives underpinning MAS the right ones?

20. We believe that the statutory objectives underpinning MAS are the right ones. They are deliberately broad so that they encompass a statutory body that champions financial capability and provides free money information and advice.

21. Unfortunately, this vision has not been realised fully, with pensions shifting out to Pension Wise and MAS failing to meet its full remit.

22. We do recognise that there are benefits to tighter objects, perhaps if the objectives were more specific than '*to promote the understanding and knowledge of members of the public of financial matters... [and] the ability of the public to manage their own financial affairs'* we might not have seen the narrowing of the original remit to encompass only money guidance and the digital first strategy. However it is not unusual for the statutory objectives of an organisation to be broad in scope, allowing the board of that organisation to decide how to achieve them.

23. If the objectives are to be changed, we would want them to remain broad in scope, giving the statutory body the role of championing financial capability and education in addition to providing money advice.

Q9. What role, if any, should a statutory body have in providing general money guidance?

24. General money guidance should be at the heart of the Statutory Body - the umbrella under which debt and pensions guidance fit.

25. People's money advice needs are rarely confined to a specific area or product, they want holistic advice. If the statutory body could provide one brand and point of entry for general money advice, and triage people to debt and pensions advisors if specific needs arose, people would be much more likely to engage with it.

26. Splitting the offer into silos of debt and pensions risks reducing the number of people who will engage with the service, and only being able to make interventions too late on in people's lives, as well as costly duplications and confusions.

Q10. What role, if any, should a statutory body have in supporting financial capability? + Q11. What scope is there to rationalise the funding

27. Though it has not been followed through on, achieving a financially capable nation, was one of the central reasons why MAS was set up in the first place. All the justifications set out in the Thoreson review for a generic advice service which contributes towards financial capability and financial wellbeing still stand today. Figures in MAS' recent Financial Capability Strategy reinforced the continuing need for improved financial capability in the UK.[4]

28. Financial Capability then should be the central and underpinning goal of any Statutory Body, reinforced with the statutory delivery of money advice.

29. We understand that MAS has not yet been able to deliver tangible progress on financial capability and this might cause policy makers to focus money from the levy on pensions and debt where outcomes are clearer. However this decision would be to abandon the strand of work that could address the causes of financial problems, not just the symptoms. Indeed the success of a number of government policies, such as Universal Credit and the pension freedoms are contingent on the people of the UK

[4] https://www.moneyadviceservice.org.uk/en/corporate/the-financial-capability-of-the-uk

being able and confident to engage with and manage their money –being financially capable.

30. In addition it is vital that the body with statutory responsibility for financial capability continues to champion its importance, as well as providing a thought leadership role. Finally we believe that the body should fund, commission and influence others to provide financial education and capability services and essential support throughout life.

31. Financial capability fits into many parts of government and society: the DfE, HMRC, DWP, employers, local public services and many more. But none of these organisations has financial capability as a primary goal. Without a statutory body that can champion and coordinate work, it will simply fall down the agenda.

Q12. How do you think that the government could best complement voluntary sector provision of financial guidance?

32. The government and the statutory body should continue to invest in and support the third sector, both as delivery partners, but also experts who have significant expertise built up over the years.

33. The use of a voucher system, though interesting, would not allow the voluntary sector to expand its offer without significant grants being made to build capacity. In this instance, a central commissioning body would have to continue to exist anyway. Either that or the only beneficiaries would be commercial organisations who could borrow to invest and compete for vouchers.

34. The fear of duplication is overblown. The voluntary sector is not currently sustainably funded such that it can guarantee the lifelong financial guidance that it is necessary. While the work of third sector organisations is good, and compliments government and statutory services, only the government or a statutory body can provide the required stability and funding for the service to work.

Q13. Do you think that the government could offer a more integrated public financial guidance service to consumers, throughout their life? How do you think this could be achieved?

35. For reasons outlined in previously answers, an integrated public financial guidance service available throughout life is what MAS was set up to achieve and it should be the goal of the Statutory Body.

36. This does not necessarily mean delivering everything in house. Where helpful, much of the variety and fragmentation that exists today can continue. The important thing is that one statutory body, with a single brand coordinates services and triages for whatever money advice consumers require. The government therefore needs to do its bit to ensure that this is achieved, rather than allowing the consumer facing fragmentation we find ourselves with today.

Q14. Do you think the government should explore any alternative options for the provision of public financial guidance?

37. As The Money Charity sees it there are three options for the delivery of public financial guidance:
    a. Rebooting MAS (or a renamed organisation) with a strengthened remit.
    b. Bringing the statutory body into the FCA.
    c. Contract out the work of the statutory body (to Citizens' Advice).

38. We would support either of option A or B. Continuing with the structure of guidance unchanged is not a viable option, but something that looks like the original concept of MAS, either within the FCA or outside it is just as necessary as it was six years ago.

39. Whatever option is chosen, it should be sustained for a generation. Brands take a long time to build and consumer behaviours is habitual. A statutory body providing public financial guidance throughout life needs to survive as long as people do, not chop and change every decade.

Q15. Are the suggested core services the right ones? Should any core services be added?

40. The core services outlined in the consultation paper worried us. Though it was presented as a *'non exhaustive list'*, only debt appointments and meeting the pensions guidance guarantee were listed. While these are clearly important components of a lifelong money guidance service that is responsible for financial capability, to reduce the offer to these core strands would not meet consumer need or address the root causes of people's money issues.

41. Almost inevitably any guidance about money will not be about a single subject. A session on debt will touch on budgeting and saving while a pensions guidance session must discuss a person's financial situation in totality. So people will benefit from money guidance that is holistic, not focussed narrowly on two areas.

42. Therefore, the core services should include financial capability, financial education, general money guidance, as well as debt, and pensions.

Q16. Are the suggested principles the right ones to underpin the statutory provision of the core services? Should any principles be added or removed?

43. The principles outlined in the consultation paper are reasonable, themselves but we would like to see additions made.

44. In the Thoreson review of 2009, *'preventative'* and *'universal'*[5] were included as principles. We believe that a guidance service that does not have an offer for people who are not in problem debt or considering their pension options in the years before

[5] http://webarchive.nationalarchives.gov.uk/20080305120543/http://www.hm-treasury.gov.uk/media/8/3/thoresenreview_final.pdf

retirement will be failing consumers and not addressing the root causes of peoples financial problems. These principles should be retained.

45. We would also like to see *'directive'* included. Guidance services should not be able to encourage a sale of a specific product, but they should be able to provide a course of action. Consumers do not simply want an array of options put before them with pros and cons, they want to be told that the best course of action is probably a balance transfer card and increased repayments, an fixed rate mortgage, an annuity…. Guidance should be able to offer consumers this kind of direction.

Q17. Do you think that statutory provision should be restructured to improve the guidance service to consumers, and if so, how?

46. Yes. We believe that the current situation is unsustainable and unhelpful, whilst causing unnecessary duplication, cost and confusion. We answer in Qu 14 how we believe this should be achieved.