



Response to the Money Advice Service's proposal for a retirement advice directory

Introduction

1. As the UK's financial capability charity, we welcome the opportunity to respond to this consultation.
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 believe that 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)
5. The ability to access regulated financial advice is clearly relevant to someone's ability to make the most of financial services products, including pensions. The decisions people take regarding their pension savings also affect their ability to plan for retirement. Therefore we have a clear interest in improving individuals' journey to

6. regulated retirement advice, and we have responded to this consultation on these grounds.

Q1: Do you agree there is a need to improve the customer journey towards regulated financial advice?

7. There is a clear need to improve the customer journey towards regulated financial advice. This is particularly important around pensions, as planned reforms will give greater numbers of people greater freedom over using their pension pots, dramatically increasing the need for regulated financial advice.
8. Research earlier this year from the Personal Finance Society found that 58% of 55 to 64-year-olds had never accessed regulated financial advice, nor had 55% of those aged over 65¹. While some of these individuals might simply not have had a need to access advice – because the decision regarding pension finance was limited to ‘which annuity to buy’ – and might do so as a result of their options being broadened by forthcoming reforms, these figures suggest a high degree of disengagement with regulated financial advice.
9. As the need for financial advice on retirement increases for those who previously were effectively required to buy an annuity, it is important that this journey is as straightforward as possible and allows consumers to compare advisers easily, rather than the fragmented and complex journey identified in the consultation document.
10. Greater options at retirement also create a greater need for advice not just at or near the point of retirement, but well before. The design of any directory should keep in mind its potential benefit to individuals who may wish to access regulated advice regarding their retirement savings and options earlier in life, and should be of use to them.

Q2: Do you agree any new directory should also include details of advisers who specialise in the post-retirement advice market?

11. Yes. Given the changing nature of retirement from a single point to a process and the prospect of consumers making decisions about their pension pots at multiple points during retirement, details of advisers who specialise in post-retirement advice should be included in any new directory. This is also important, as we stress above, for individuals who are some years from retirement but wish to assess their options at and after retirement.

Q3: Do you agree that a new retirement adviser directory might provide a solution for those consumers needing regulated retirement advice?

¹ www.thepfs.org/media/5139793/pfs_rdr_consumer_report_feb2014.pdf

12. A directory could form part of a solution for those consumers needing regulated retirement advice, and we support it in principle. We would note that the Financial Services Register hosted by the FCA and PRA could arguably fulfil this function, but unfortunately at present the register is extremely difficult for a consumer to use. In the absence of an overhaul of this register, a new directory would be valuable.
13. We also welcome the suggestion that only advisers willing to offer advice on pots of any size should be included in any new directory. If the directory was widely-publicised and consumers were directed to it at the end of their free guidance session, this would provide a strong commercial incentive for more advisers to advise on small pots, which are likely to comprise the majority of new business over the coming years.
14. As more people with smaller pots retire and need advice, there is a corresponding need to expand the capacity of the financial advice sector. A requirement for advisers to offer advice to all pot sizes if they're to be included in the directory could prove to be a valuable lever in this regard and could improve options and outcomes for consumers with small pots. Without such a lever there is a risk of an alarming shortfall of capacity amid rising demand. This is, however, dependent on the reaction of the sector to this requirement, which we discuss in response to Q14.
15. While linking the directory to the guidance guarantee process will greatly raise awareness and use of it, it would also need to be publicised more widely. It is difficult at this point to predict the take-up of the free guidance upon retirement, but one survey found that as many as 6 in 10 people would not access it², so any directory must also be publicised and accessible outside of the guidance guarantee.

Q4: Do you agree that information regarding fees should be included in the directory?

16. Yes, as these are likely to affect consumers' decisions around which advisers to use. If information about fees are only available once the consumer has clicked through to the adviser's website, comparison is made more difficult.

Q5: If so, do you have any views as to how this might be presented to consumers? For example, should there be a 'menu' or list of services with average or approximate costs given for each service?

17. A list of services with average or approximate costs for each would seem an appropriate way to present information regarding fees to consumers.

Q6: As well as contact details, qualifications and expertise, type of service offered and fees charged, is there any other information you think the directory should include on the adviser firm or individual advisers?

² <http://www.express.co.uk/finance/personalfinance/486130/Retirement-Government-Retire-Shun-Pensioners>

18. As well as the information listed in this question, the directory should clearly show whether the adviser firm or individual adviser offers a whole-of-market or is tied to a particular provider.

Q7: Do you agree that an independent panel should decide on the entry criteria for the adviser directory?

19. Yes. We also believe that the overarching aims of the criteria for entry in section 4.2 are appropriate, although the specifics should be determined by the independent panel.

Q8: Do you agree that the main consumer and adviser professional bodies should be invited to join the independent panel? If so, can you suggest the particular bodies you feel should be invited to be members of the panel?

20. Both consumer and adviser professional bodies should be invited to join the independent panel. These should include – but not necessarily be limited to – TPAS, Which?, Age UK, Apfa, and Napfa.

Q9: Do you agree that the Money Advice Service should host the directory?

21. We believe that the directory should be hosted by the organisation given responsibility for the delivery of the guidance guarantee. While this may well be the Money Advice Service, if another organisation is given this responsibility they should also host the directory.

22. Having one organisation responsible for delivering the guidance guarantee, then another hosting the directory that consumers are ‘handed-off’ to at the end of the guidance, would risk fragmenting the journey to regulated advice and run counter to the intention of signposting customers to regulated financial advice in a simple, seamless way.

Q10: If not, is there another organisation you feel should host the directory?

23. As above, if an organisation other than MAS is tasked with delivering the guidance guarantee, that organisation should host the directory.

Q11: Do you agree that data management and verification plus on-going maintenance should be outsourced to a suitable organisation and paid for by the host organisation?

24. Yes.

Q12: Do you have any suggestions as to which organisations should be invited to tender for the data management and verification services?

25. No.

Q13: Are there any other benefits to consumers or advisers in establishing a new directory?

26. Not in addition to those outlined in the consultation document, although we believe these benefits are considerable.

Q14: Are there any disadvantages of establishing a new directory that we have not envisaged?

27. There are a number of possible disadvantages in practice, largely dependent on how effective the 'no minimum pot size' requirement is in encouraging advisers to accept smaller pots.

28. If the 'nudge' of linking inclusion to offering advice on all pot sizes does not convince advisers to do so, membership of the directory will be relatively low and the directory will be of limited use for consumers with medium to large pension pots, and will not have expanded the options for consumers with small pots to any meaningful extent.

29. For those advisers that do offer advice on small pots, their fees are likely to be prohibitively high compared to the size of pot, or this advice will act as a 'loss-leader' for the adviser (and any losses incurred would be outweighed by the increased profitable business resulting from inclusion in the directory).

30. If fees are prohibitively high for small pots, then while in theory consumers with small pots will have increased access to regulated advice, in practice this will be of little benefit. On the other hand, if membership of the directory is low, either across the board or in particular regions, advisers that do offer discounted advice on smaller pots will suffer as they are swamped with consumers with small pots from which they make little if any profit.

31. Therefore, the success and value of the directory for both consumers and advisers is entirely dependent on sufficient numbers of advisers agreeing to offer advice irrespective of pot size. This should be reviewed after 12 months.

32. We believe that the directory could greatly benefit consumers with small pots, but it should also be clear that consumers with a pension pot above a certain size will be able to find other advisers outside of the directory.

33. The consultation document repeatedly suggests that the directory would provide a full list of relevant advisers for all consumers. For example in section 4.1 it states "consumers would receive a full list of advisers who met their needs", while section 5.1 states consumers "would also feel confident that a full list of all advisers that meet

their specific needs had been presented to them”.

34. If only those advisers that are willing to offer advice on pots of any size are included in the directory, presumably some advisers will not. A recent Apfa survey found that one in five financial advisers would refuse to deal at all with pots below a certain size³, and even with the added incentive provided by this directory, there will be some number of advisers who are not included.
35. Therefore for those consumers with medium or large pots, the directory will *not* provide them with a ‘full list’ of advisers, and it would be misleading to suggest it will. Additionally, some of those advisers who are excluded from the directory could offer a better service for these consumers if they specialise in advising on higher pension pots – so as well as delivering an incomplete list of advisers for these consumers the directory might also exclude the best option for those consumers, and this needs to be clear.

³ <http://www.moneymarketing.co.uk/news-and-analysis/regulation/advisers-able-to-take-on-budget-pension-clients-but-want-to-cherry-pick-pots/2011769.article>