



Response to the FCA guidance consultation on retail investment advice

1. As the UK's financial capability charity, we welcome the focus of this guidance 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. For consumers to be able to engage fully with financial services products, it is important that they have access to appropriate advice where necessary. If the advice gap is to be closed, both firms and unregulated providers need to know the limit of what they are able to offer. So this guidance consultation is helpful in that it aims to remove obstacles to market development caused by a limited or inaccurate understanding of the boundary of regulated advice.
6. We don't feel it would be appropriate for us to comment on the specific examples in section 5, but we welcome the FCA's intention to provide greater clarity on the scope of regulated advice and personal recommendations.

7. However, the guidance is very 'firm-focused'; it looks primarily at what falls *inside* the boundary, rather than what activities could fall *outside* of regulation and could therefore be carried out by third sector organisations who do not wish to be regulated. It would be helpful in our view for the FCA to consider setting out what unregulated activity looks like, in addition to its current focus on what is classed as regulated activity.
8. We would also take the opportunity to raise again the issue of where the limit of the boundary lies in different contexts, and how far 'generic advice' can go. Paragraph 3.6 states that "advice on whether to buy shares rather than debt is generic advice and is not regulated". This appears to set a higher threshold for retail investment advice than exists for debt counselling, where advising someone to pay off credit card debt would constitute regulated debt counselling.
9. Setting such a low 'ceiling' for generic debt advice greatly restricts the role that third sector organisations can play in offering useful budgeting support. The majority of adults in the UK have some form of debt, and any budgeting advice needs to take the repayment of such debt in consideration. While we accept that there are some people with more complex or serious debt situations for whom more in-depth advice would be necessary, the same is true for retail investment, and this should not in itself represent a barrier to the provision of basic but useful advice.
10. The threshold for regulation of retail investment advice also seems inconsistent with the guidance guarantee. Our understanding is that a pension product, such as an annuity, would be classed as a retail investment product. Therefore recommending that someone purchase an annuity rather than a drawdown product (without mentioning a particular product) would be generic advice as per Paragraph 3.6. But if they were delivering the guidance guarantee, we understand that an organisation would be prohibited from recommending a product type.
11. As we have previously argued in submissions to the FCA, there is a need for much greater clarity on how far deliverers of the guidance guarantee can go in making recommendations to consumers. But if our interpretation in paragraph 9 is correct, it applies a stricter test to the guidance guarantee than to other unregulated advice; it is hard to see why this should be the case, and it would significantly undermine the guarantee's effectiveness.
12. It appears that the meaning of 'generic advice' is quite different in different contexts. At present, unregulated providers of advice can go further in areas that people are less likely to want or need basic advice than common, universal areas such as budgeting. Many more people would find advice on cutting down expenditure in a certain area to repay their credit card debt useful than would find a recommendation to 'buy shares, not debt'. If the FCA wants a viable third sector to help close the advice gap through the provision of generic financial advice, there is a need for greater clarity and greater consistency around the limits of what those organisations are able to do.

13. It is worth highlighting the current landscape of the financial capability sector here, as we believe its current makeup means there is very little awareness of the types of activities that are or aren't regulated. On one side are a number of large organisations that are not concerned with the limits of generic advice, either because they have an exemption (such as MAS) or are covered by a debt licence (because, like Citizens Advice or StepChange, they also carry out regulated debt counselling). On the other are a range of very small organisations, often delivering community-based money advice, which have no engagement whatsoever with the regulator, or organisations that specifically and exclusively work to develop financial capability among young people, which may not consider regulation to be something they are affected by.

14. The inconsistencies in the perimeters of regulated advice in different areas also increase the burden on unregulated providers that wish to offer generic money advice, as they have to be aware of different perimeters for different types of advice, effectively creating a 'barrier to entry' even for unregulated providers if they wish to be certain of avoiding regulated activity. The FCA must ensure that its regulatory boundaries allow unregulated providers to deliver useful generic advice, and that they are clear about what they can and cannot deliver. This is important for two reasons: firstly to reduce the risk of unregulated organisations inadvertently crossing the boundaries of regulation, and secondly to allow a viable third sector to play its part in closing the advice gap. We would greatly welcome it if the FCA would consider reviewing and clarifying the limits of generic advice across all areas of money management, giving particular consideration to how this affects unregulated providers of money advice.