The Money Charity Response – FCA Advice Guidance Boundary (February 2024)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.[1]

We welcome the opportunity to respond to the FCA's proposals for closing the advice gap.

In this response, we set out our Key Points, make some overall comments on the issue then answer the questions posed in the Consultation Paper.

[1] See box on back page.

Overall Comments

1. Whilst we agree with the FCA's proposals for closing the advice gap in relation to pensions and investment advice, we believe that this is a somewhat narrow view on what is a much broader picture. Targeted support or using consumer information to suggest what options are available for 'people like you' is not just useful regarding investment advice. This support could be extended beyond simply pensions and investment advice from FCA-authorised firms to more broadly support individuals who need support with managing their finances. Those individuals who would most benefit from the proposals in this paper are not necessarily those who have the excess capital for investment.

2. There are therefore two ways we would like to see this concept broadened. Firstly, within the concept as defined in CPX, we think the FCA should go further and think much harder about the times and organisations that could offer targeted support. Outside of regulated firms, the proposal for targeted support could encompass all bodies who interact with financial guidance, such as the Money and Pensions Service (MaPS), charities and organisations involved in delivering the Midlife MOT scheme and others. Secondly, we think the concept of targeted support could be developed on a much more holistic basis, encompassing credit, debt, mortgages, insurance, and other aspects of individuals' financial lives. The advice gap is broader than just investment advice. By extending these proposals out to more organisations and covering more products, such organisations will be able to better assist consumers in managing their financial lives and produce better outcomes through providing more tailored support.

3. We have answered below the questions that we have the most useful contribution to make.

Answers to Consultation Questions

1: In your view, do any of the proposals outlined in this paper adversely affect different groups of consumers, and why?

The proposals outlined in the paper do not adversely impact different consumer groups.

2: Is there a role for the 3 proposals (further clarifying the boundary, targeted support, and simplified advice) outlined in this paper? Could these work alongside existing forms of support? When responding, please include how the proposals would (or would not) work alongside each other.

We support all three options and think there is certainly a role for all 3 to work alongside each other. By clarifying the boundary of what constitutes advice, this should allow firms to go further within the existing parameters to better support consumers. Similarly, the development of targeted support and refinement of simplified advice are also positive developments that we support.

As we mention above, we do think that targeted support in particular could go a lot further, especially when considering that 60% respondents to the FCA's Financial Lives Survey (FLS) 2022 do not feel that they would get any benefit from advice as it stands. It's important to open up the types of organisations as well as the types of support they offer if we are going to address this barrier. By introducing both targeted support and simplified advice alongside the clarification of the boundary, consumers have greater choice on how they access support and may therefore be more inclined to seek this out.

3: Are there any other proposals that we should consider to help close the advice gap and how can we support the provision of more guidance? Please outline your proposal in as much detail as possible.

There are no other proposals we feel that the FCA should be considering, other than 1) broadening the proposals beyond FCA-authorised firms and including non-regulated guidance from other sources, such as MaPS and not for profits and 2) broadening the areas that targeted support covers.

6: Do you support the concept of targeted support, and do you support developing a regulatory framework to deliver it? If not, why not? Are there any key features (in addition to those discussed below) that you believe targeted support should include?

We are in support of the concept of targeted support and creating a regulatory framework in which to deliver it. We believe however that the regulatory framework for targeted support should be extended much further than just pensions and investments to credit, debt, mortgages, insurance etc. In order to open up support and advice to a much wider audience, it's vital that this encompasses a much broader part of our financial lives.

7: What types of firms do you think would be well placed to deliver targeted support?

We believe that the FCA could be much bolder with its thinking on which kinds of organisations can provide targeted support. The delivery of targeted support should not necessarily have to only be from regulated firms. This type of support can come from not-for-profit organisations and others involved with the delivery of financial wellbeing, money guidance and the Government's Midlife MOT scheme. Extending support out to a wider range of bodies may benefit those individuals who are sceptical about getting financial advice from a more traditional regulated firm. In the view of the consultation, this would be useful in encouraging individuals to engage more with pension planning, although this only one aspect where targeted support can help to tackle financial difficulty.

9: Do you agree that the scenarios outlined are appropriate for a new targeted support regime? Please suggest any other specific scenarios where targeted support might be appropriate and could benefit consumers.

The scenarios outlined in this paper are appropriate. As we set out above there are certainly some of these scenarios (but perhaps not all) that could be delivered by a much wider type of organisation than currently envisaged, for example: Scenarios A, Bii and C could easily be delivered by ourselves and others in the financial wellbeing and money guidance space.

In contrast other examples, such as Bi, Biii and Biv might be better left to an FCA-regulated organisation. In the case of specific investment advice, we agree that targeted support should come from a regulated source and would encourage the FCA to consider a two-tiered approach to targeted support, wherein targeted support can be offered by many bodies, but with certain areas ringfenced for specific organisations who are best placed to intervene.

10: Do you agree with the high-level minimum requirements for a proposed new standard for targeted support? Please explain your answer.

The proposed requirements are appropriate in the context of this consultation and the advice gap which exists within pensions and investment advice.

12: Which of the 3 options for types of suggestions would be most impactful for targeted support, and why? Are there any other options we should consider?

We believe that option C would be the most impactful for targeted support, although this would be scenario dependent. The range of scenarios set out are broad, and so for some, options A & B might be as far as reasonable to go, but wherever possible, ensuring the regime goes as far as it can is essential to make the support useful and actionable.

14: Do you agree that targeted support should not necessarily be subject to explicit charges? If so, how should firms be remunerated, and why?

We agree that targeted support should not be subject to explicit charges, as charging consumers upfront can put consumers off seeking support; according to the FLS 2022, 12% consumers had an issue with fees. The proposal for cross-subsidisation is compelling, and certainly there is an argument that firms should utilise funds from other aspects of their business to cover costs of supporting consumers as part of their ongoing client relationship. Equally, if the onus is on the company to fund targeted support themselves, there is the risk that simply won't offer targeted support. It may be that consumers would be more willing to pay for more targeted guidance rather than generic guidance, and so there is a case for an initial low-cost fee.

Nonetheless, it is important that targeted support is accessible to the most people, and to make this happen, there ought to be options available that have no explicit charges.

In addition, we believe that the financial wellbeing/money guidance sector should provide this support for free; funded either by government or the Money and Pensions Service as per the Midlife MOT pilots.

15: If you agree with Q14, what safeguards and disclosure requirements should be in place to manage any conflicts of interest arising from enabling targeted support to not be subject to explicit charges, and why?

Disclosures should naturally be in line with existing obligations under the Consumer Duty, and furthermore any charges incurred down the line should be communicated at the earliest opportunity to ensure consumers are fully informed about the cost of seeking such support.

16: Do you agree that there should be no limit on product or investment range or monetary value limits (beyond those applying to the Review as a whole and in the retail distribution space more generally) applied to targeted support? If you disagree, what limits on product and investment range and monetary value be and why?

We agree that there should be no limits on product, investment range or monetary value applied to targeted support to make the support most impactful for the greatest number of consumers.

17: Are there any other limitations which should be imposed on targeted support? Please explain your answer.

We do not believe that there should be any limitations that should be imposed on targeted support, and in fact believed that targeted support should be broadened to include non-FCA regulated organisations who operate within the financial wellbeing space. We also believe that targeted support need not necessarily be limited to investments and pensions but understand that this is the focus of the consultation.

18: Do you agree with the disclosure objectives for targeted support? Are there other factors that consumers should understand when making decisions in relation to targeted support?

The disclosure objectives are appropriate for targeted support, but we would welcome a clarification of point A; and that targeted support would not provide ‘independent *regulated* advice’. Whilst advice as a term is typically used for regulated financial advice, there is, in practice, little difference to a consumer between guidance and advice. Giving financial guidance is tantamount to advising, albeit offering non-regulated support. In our many years of work in this space, no consumer has ever suggested that we have ‘guided’ them or described our work as ‘guidance’. It is important that the language used reflects what consumers really use and understand rather than that which the regulator and regulated community use. It would be simpler for consumers to make the distinction that the support would be non-regulated and therefore not protected, rather than attempting to force consumers to use the word *advice* in a way which we know they do not.

20: How should targeted support be delivered from a regulatory or legislative perspective and why? Which regulatory or legislative mechanism should be used to deliver targeted support, and why?

Targeted support should be delivered as a new regulated activity, and the consideration that firms be allowed to carry out targeted support where they have existing permissions linked to relevant products does make sense. It would be our position that the regulated activity be extended beyond FCA-regulated firms and extended to other firms, as previously discussed but this does raise questions about the regulation of such organisations.

21: Do you think the scenarios outlined for consumers considering a lump sum or reviewing an existing investment are appropriate for a new simplified advice regime? Please suggest any other scenarios might be appropriate and could benefit consumers.

The scenarios proposed are appropriate for a new simplified advice regime and the simplicity of single-issue advice may attract more consumers to seek out financial advice.

22: Do you agree that wealth accumulation products should be in scope of simplified advice, and why? Are there any wealth accumulation products that you feel should be included or excluded, and why?

We agree with the inclusion of wealth accumulation products within simplified advice, providing that appropriate safeguarding has taken place, and the consumer is aware of any related risk, such as with Stocks & Shares ISAs.

23: Do you agree that pensions decumulation should be out of scope for simplified advice, and why?

We agree that pension decumulation should be out of scope for simplified advice, due to the tax implications of such products.

24: Do you consider that a cap of £85,000 is the correct investment limit for simplified advice? If not, please suggest an alternative limit, and explain why this would be more appropriate?

A cap of £85,000 is an appropriate investment limit for simplified advice as it falls in line with the FSCS protection limit for investment advice.

25: Do you consider that simplified advice should allow firms to provide repeated instances of transactional advice to a customer but exclude ongoing and periodic review services? Please state the reasons for your answer.

Given the nature of simplified advice, firms should be allowed to advise consumers on a repeated basis for a number of one-off pieces of advice. It is important that firms have a duty to consider at what point this becomes something more than simplified advice – i.e. is there a point at which the more holistic full advice option might be more appropriate?

35: Are there any considerations concerning the investment advice boundary for non-authorised persons you wish to raise?

Whilst investment advice is something that not-for-profit organisations do not typically need to offer to service users, they do operate in the pensions space and could do more in certain circumstances in investments too. We believe the proposal for targeted support could have a broader positive impact for non-authorised persons and organisations.

By further clarifying the boundary between regulated advice and non-regulated guidance and allowing non-authorised organisations to use limited information to make recommendations, these persons and organisations can provide more complete and personalised guidance to consumers. Those working to deliver the Government's Midlife MOT could make good use of targeted support when advising consumers with regards to their pensions. We welcome the FCA's proposals for clarifying the advice guidance boundary but believe firmly that there is value in extending these principles more widely beyond regulated firms, and beyond simply pensions and investment advice.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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