Consultation Response

Public financial guidance review: Proposal for consultation

Ref: 1716

June 2016

Contact: Lucy Malenczuk
Lucy.Malenczuk@ageuk.org.uk

Age UK
Tavis House
1-6 Tavistock Square
London WC1H 9NA
T 0800 169 80 80 **F** 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

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About this consultation

The government is consulting on its proposals to restructure the Money Advice Service (**MAS**), Pension Wise and The Pensions Advisory Service (**TPAS**). These proposals follow numerous earlier consultations and reviews to which Age UK has also responded. The changes can be viewed as part of wider proposals to change the market for financial advice and guidance, including the Financial Advice Market Review.

Key Points and Recommendations

- Consumers must continue to have access to high quality sources of money guidance and financial capability assistance that are independent of the industry. Industry initiatives may be a helpful supplement but there is no guarantee of quality or independence
- TPAS is widely regarded as a valued and highly effective organisation providing a valuable service. It is important that it retains sufficient independence and is given the time and resources it needs to take on new functions effectively
- Age UK would like to see a joined-up information, guidance and advice journey to help people prepare for later life and then make best use of their assets throughout, including (a) a mid-life career review at about age 50; (b) at-retirement pensions guidance; and (c) a further guidance session in later life.
- Both the new pensions guidance body and the money guidance body must remain focused on being experts in their field
- Both bodies must develop excellent links with other organisations to ensure consumers receive a holistic service which is relevant to their often complex needs, without being diverted from their expert focus by having to cover too broad a range of topics
- An independent money and pensions guidance advisory panel (the **Advisory Panel**) should be established to provide support and accountability to the new bodies
- Full and early consultation on the details of these proposals, such as objectives for the new pensions guidance body will be vital to ensure that lessons learnt from initiatives to date can be taken on board
- Both new bodies must have complete freedom to comment publically on issues emerging from their work and have a clear responsibility to report specific issues privately to firms and government
- Both new bodies must have freedom to set curricula to reflect changing need
- Both new bodies must have the power to fund other bodies in the delivery of their objectives
- Both bodies should set longer term 3-5 year business plans in order to support stability and to allow organisations working with them to plan more effectively and therefore provide better support

- Further consultation is required on how the new bodies might encourage take up of information and guidance in light of the criticisms made of the approach taken by the Money Advice Service
- It is particularly urgent to increase take-up of pensions guidance

Introduction

We welcome the Government's continued commitment to the provision of impartial money guidance and the continued development of pensions guidance.

In responding to the specific questions posed by the review, we repeatedly face the challenge of how to ensure that the new bodies remain tightly focused and expert in their respective fields whilst recognising that consumers need information and guidance which is relevant to their often complex problems and therefore provides holistic support. We strongly agree with the analysis that a significant part of the challenges faced by the Money Advice Service are related to over-reach and the need to avoid a repeat with either of the new bodies. Therefore we suggest that the new bodies should focus on being (i) expert; and (ii) excellent service networkers. We set out below how we think this could be achieved.

Response to consultation questions

Q1 Are there any specific guidance gaps in the current pensions guidance offering that you think the new body should fill?

We see two different types of gap for the new body to fill, firstly gaps in the pensions guidance journey and secondly in the current Pensions Wise offer itself.

Firstly, we see significant gaps in the pensions guidance journey for consumers. People have a need for information and guidance around pensions at all stages of their life but we think that there is a particular need to provide support later in life. As well as being the point at which they are required to make decisions and may be at particular risk of scams, it is also the point at which research suggests that people are most likely to engage.

Age UK would like to see a joined-up information, guidance and advice journey throughout life to help people prepare for later life and then make best use of their assets in retirement, including (a) a mid-life career review at about age 50; (b) at-retirement pensions guidance; and (c) a further guidance session in later life. These key landmark guidance points should be proactively offered to individuals and should be set against a backdrop of a comprehensive information offer and reactive guidance provision. Offering these key services would help consumers at a stage when it is not too late to plan ahead for retirement, and reflect the reality that the 'freedom and choice' reforms will require many consumers to manage their savings actively well into later old age. This approach also provides the financial services and guidance industry with an increased opportunity to establish guidance-seeking norms.

We note that TPAS currently provides a strong information and reactive guidance service and Pension Wise provides at retirement guidance which is more actively promoted at a specific life stage.

We would like to see the new pensions body develop guidance for those in retirement and to work with others to develop and make available a Mid-Life Career Review. Mid-Life Career Reviews have been piloted by the Department for Business, Innovation and Skills and fully evaluated and found to be effective. As the name suggests, the review is not primarily a financial guidance session but is rather focused on opportunities for work within the context of life circumstances, including finances. This provides a prime opportunity to reach those who may not have sought out a finance-focused session at a point when there is likely to be time to make a difference to pension outcomes. Further, the evaluation found that: "The most often reported concern is how to ensure that advisers are confident, and competent, in dealing with financial issues, which are critical to people's quality of life, retirement and pension decisions. This involves a good understanding of the boundaries of regulated financial advice, and of referral options for clients." [i] It is therefore an area where the new pensions body's expertise could make a valuable difference.

There may also be scope for the new body to work with others to develop tools which, in conjunction with the Pensions Dashboard, can make it easier for people to keep track of their money and make delivering guidance easier.

In order to help the new pensions body focus on being expert and avoid mission creep we would like to see it developing good knowledge and referral systems to other organisations. If the new pensions body finds gaps in provision of support – either by topic or by channel - then it should gaps and report them either to the relevant government department or to the Advisory Panel (see below). For example, it may find that many of its clients need retirement housing advice, but that there is a lack of capacity within the relevant sector. Or it may find that there is online advice available, but nothing for those who require telephone or face to face support. We believe that it is the role of government, working with relevant stakeholders, to consider how to fill these gaps.

We think these changes to the landscape are important and should be implemented as soon as possible, however we think that it is more important that the new pensions body is not overloaded, over-managed or required to change too much too fast. We therefore suggest that responsibility for timing of delivery of new initiatives such as a Mid-Life Career Review should be a question for the new body itself.

Secondly, we think that there are clear gaps within the Pension Wise offer. We hope that the new structure will facilitate the development of the service so that it is expert and not scripted but maintains its focus on pensions. We look forward to the sharing of the evaluation of Pension Wise which we hope will allow more detailed and constructive comments on the service, but for now note that:

a. More work is needed to encourage take up
b. Clients are likely to need more than one appointment

c. Many clients will need additional support, 27.3% of Pension Wise clients have booked a separate appointment with Citizen's Advice following their Pension Wise session.[ii]

We support a model in which the new body is the pensions expert and takes responsibility for technical guidance, providing technical advice to other organisations and works in partnership with others to ensure that more holistic services (likely to be provided by other organisations, including those from the third sector) wrap around pensions guidance effectively.

We note that the consultation focuses on private pension queries but that TPAS currently provides a certain level of helpful advice on the state pension. We believe it is important for the new pensions body to continue to provide this service because people need to look at their pension income in a holistic way and for many people the state pension is a substantial part of that income.

Q2 Are there any pension-related topics that shouldn't be included in the remit of the new pensions body?

No. The new pensions body should be the expert on all private pensions issues and should provide a reasonable level of support in relation to State pension. As long as it maintains its focus on pensions, it must have complete freedom to set its own curriculum in response to changing consumer need, and subject to consultation with an Advisory Panel.

Q3 Will these objectives focus the activities of the new money guidance body sufficiently to allow it to improve consumer outcomes?

Our key comment on the focus of the new money guidance body is that it must be concerned not just with financial guidance, but with access to high quality and independent financial guidance.

If financial guidance is defined broadly, then it is possible to say that there is already a wide array available to consumers, however we are concerned that what is on offer does not currently meet the needs of consumers in terms of quantity and in some cases quality. Citizens Advice found that many millions of people fall into money advice gaps.[iii] This includes a clear lack of capacity in the public financial guidance sector and lack of awareness of what is on offer, among both consumers themselves and professionals supporting consumers. If the consumers who said they needed money advice but didn't know it existed or where to get it are combined with those who tried to access support but couldn't due to lack of supply the report suggests that capacity for an additional four million consumers is needed. We therefore see a clear need for additional capacity in this sector which is likely to need to be a mix of public and other funding and developing more effective delivery.

We recognise the opportunities that new technology and the Financial Advice Market Review create for firms to provide new forms of guidance, however 'support' to consumers which is linked to sales cannot replace independent guidance. If there is reliance on industry guidance alone, we have concerns about;

- consistent quality standards – consumers would need and deserve some form of independent quality assurance
- consumer trust;
- long-term sustainability (will firms provide the guidance long-term, and how will they update it)
- the risk of consumer confusion with multiple competing terminologies and messages;
- the risk of scammers providing similar material – we know this has already been an issue with pension guidance, and the more the multiplicity of branded organisations offering guidance, the greater the likelihood of a scammer 'hijacking' a site or a similar brand.

Meeting the need for holistic support

We agree with the analysis that MAS was initially too ambitious in its reach, however we attribute this more to governance and external pressure to deliver too much too fast (e.g. the financial healthcheck) than to the objectives themselves.

Therefore in order for the proposed objectives to result in more focused and effective outcomes we suggest:

a. The new money guidance body should be supported by an independent money and pensions guidance panel
b. The board of the new money guidance body should ensure it has adequate experience in delivering relevant services to allow it to identify key issues and steer the delivery of good outcomes either directly or through commissioned services. We suggest the board should include a mixture of experts in money matters and also unrelated services to enable both independence and relevance. The board should have expertise in working locally on a face to face basis and in delivering digitally.
c. Expectations are realistic and the body is sufficiently independent that it has control over its priorities, in order to ensure delivery of its longer-term strategy.
d. While the new body will need to be evaluated and to evolve, major re-structures within the first 3-5 years should be avoided unless absolutely necessary. This is a key learning from the experience of the Money Advice Service which spent considerable time, focus and money re-structuring and was therefore distracted from delivery. An independent money and pensions guidance panel could help to provide more ongoing steering to help the new services evolve and stay on course.
e. The new money guidance body should plan for the longer term, in addition to the annual business plan it should also have 3 or 5 year plans
f. It is envisaged that the new body will be an important commissioner of services supplied by others, and it is vital that its commissioning model is effective. We would like to see early consultation as to the commissioning model to be used by the new body. It's important that any delivery is focussed on outcomes for service users and that monitoring of the service is proportionate and effective

(i.e. there is a purpose for collecting every piece of data). Any legal agreements need to be flexible enough to facilitate implementation of lessons learned within the period of the agreement rather than waiting until the end of the period. In Age UK's experience as a sub-contractor under the model previously used by Money Advice Service there are significant areas for improvement. There has been considerable research done on contracting models and Age UK has extensive experience of both commissioning services and delivering as a prime and sub-contractor. We would welcome the opportunity to share this

g. It should be able to supply some essential services itself if it can find no other suitable independent organisation to do so.

Understanding the nature of 'gaps' in financial guidance provision

The state of the financial guidance market changes frequently over time, often dictated by available funding or business priorities. Current challenges for the part of the market served by Age UK include continuing reduction of funding for core services. This means that it is currently easier to find funding for innovative (or re-positioned services) than to scale up proven interventions. This can result in significant inefficiency, for example as staff who have been trained and developed experience can no longer be funded, or materials developed for a programme can no longer be disseminated.

In this sense, gaps may be experienced as lack of sustainability or infrastructure, or lack of opportunities to evaluate and take innovations to scale. This may be where the new money guidance body may be able to uniquely add value, both in terms of its own commissioning and also through highlighting need to other commissioners through its analysis of the market. It may therefore be more helpful to think of a role for the new body in supporting a healthy, sustainable market for financial guidance rather than simply plugging gaps. We suggest that the new body has a specific role in building capacity and ensuring that the infrastructure is maintained. Indeed, rather than trying to map the marketplace to find out where the gaps are – which experience has shown to be extremely difficult to do, as many delivery agencies are small and projects are short-term – we suggest that the focus should be on mapping the core infrastructure. This would enable a better understanding of the nature of the need for support. In some areas the gaps may be more extensive than the service provision.

Specific additions or qualifications to objectives

There are also a number of other activities which we currently value which we would like the new body to take on, and other powers and functions we consider important in the new structure:

a. In response to Q16 of this review we propose that the new body plays a role in considering availability of information as well as guidance, as availability of quality information will have a significant impact on the ability of other service providers to deliver guidance
b. It is unclear whether the proposed objectives would allow the new body to continue to support the Financial Capability Strategy for the UK, or any replacement strategy.

We would strongly support a clear role for the new body in providing a secretariat and other services to those involved in delivering the Strategy

c. The new body should continue to support the market through research and sharing of best practice
d. The new body should be free to publically comment on issues arising from its work and should be expected to report to the Treasury and inform firms privately of other specific issues where appropriate
e. The new body should be required to look at the money guidance needs of the whole population. It should have an active strand of work aiming to meet its duties under the Public Sector Equality Duty. It should not be restricted to any one age group.
f. The new body should have the resource and ability to peer review both services and information provision both in order to support and build capacity in those delivering services, and to ensure quality is maintained
g. The new body should have a mandate to build capacity and sustainability in the sector as well as commission services

Measuring success

Improving the UK's financial capability and ensuring access to good quality independent financial guidance are vital functions and we recognise the importance of achieving good value for money. However we have some concerns around the current approach to evaluation in this area. Performance indicators for both the new body itself, and those it commissions, must be realistic, practical, sufficiently long term and achieve a good fit with other quality and performance indicators used by guidance providers.

There is a real risk that an excessive focus on short-term performance indicators could actually undermine progress, by creating a culture of short-termism and a focus on outputs rather than outcomes. Financial capability and to an extent financial guidance are seeking to change consumer behaviour in an extremely challenging area. Assessment of learning and follow through on guidance are complex to measure effectively. In some areas it may be necessary to accept that measurement is not possible.

We have contributed to work on the Outcomes Framework for the Financial Capability Strategy and we hope that this will be used by the new body, rather than duplicated. We would welcome the opportunity for further input into any further models to be used for the new body. In particular we identify risks with (i) chasing targets (e.g. focus on number of sessions irrespective of whether those sessions were provided to consumers who needed additional support rather than just consumers who were easy to find and sign up); and (ii) making measurement so complex that very few organisations will be able to deliver services, reducing the availability of innovative services and access to hard to reach groups.

Lastly, we note that this is a fast developing area. If the new body is to encourage new and innovative approaches and to be able to use innovative ways of working itself then it must be able to tolerate a certain amount of failure, otherwise it will only be able to commission 'safe' approaches.

Q4 What role do you think the new money guidance body should have in providing research?

We would strongly support the new money guidance body in providing research and also sharing best practice and highlighting gaps in research and evaluation among professionals and commissioners.

There is a lack of high quality research in this field and although almost all research could theoretically be conducted elsewhere we do not consider that sufficient reason that the new body should be barred from undertaking or commissioning research, providing that quality research on the topic is not actually being undertaken elsewhere.

It is important that the research is of practical value to those commissioning and delivering services. As the new money guidance body will not be directly delivering services there is a risk that it may be even further from the realities of the front line than the existing Money Advice Service. This is an area where the advisory panel could be particularly valuable.

Q5 Would limiting providers of debt advice to FCA authorised firms rule out any types of provider?

Yes, this could prevent some Age UKs and similar organisations who currently provide some initial support with tackling debt from doing so. We believe this initial support (e.g. helping clients to recognise there is a problem, encouraging them to seek advice) is a valuable service to clients but currently does not go so far as to be required to be regulated. We do recognise risks associated with allowing unregulated entities to be funded, however we believe these risks could be addressed as part of the commissioning process and it may not be necessary to limit the ability of the new money guidance body to commission in this way.

Q9 How should the new money guidance body seek to understand the gaps in the provision of money guidance?

As noted in response to earlier questions, this should be focused on independent, quality money guidance. There should be an initial focus on the infrastructure – in other words, what sorts of organisations are well-placed to provide money guidance, and what is needed to ensure that they are sustainable in the long term.

Any mapping exercise should consider availability by: (a) type of service; (b) accessibility for a range of groups (e.g. by those who have particular channel access needs, engaged v disengaged); and (c) availability of existing services, including capacity (e.g. a service may exist, but not be able to meet current demand). This is potentially an extremely complex task which would need regular updating. Therefore we suggest that as part of the transition MAS picks a particular service need and region and undertakes a test mapping exercise to develop an effective and practical method. MAS should learn from the experience of the Financial Capability Strategy in its attempts at mapping.

Q10 Is the planned focus on local and digital financial capability raising projects the right one?

We recognise the value of digital tools for many consumers, including some of our client group. However one of the most significant gaps in our field is of services available to those who are not online or who are not confident internet users when it comes to money management. As shown in the table below, there is a strong socio-economic element to digital exclusion as well as an age dimension.

We therefore support the focus on digital provided that it is complemented by other options for the significant numbers who are not able to access these tools and also promotes inclusive design of digital options to make them accessible to as wide an audience as possible. When commissioning, the new body should drive good practice across the industry by requiring those delivering services to consider how it can make them more accessible and useful to new and less confident users.

Percentage of people who do not use the internet by age and socio-economic group

	All	16-24	25-34	35-44	45-54	55-64	65-74	75+
AB	5%	0%	0%	1%	0%	4%	12%	35%
C1	8%	2%	0%	3%	6%	6%	22%	58%
C2	20%	0%	4%	8%	3%	26%	46%	80%
DE	22%	7%	6%	16%	15%	32%	35%	81%

Source: Ofcom 2016, table provided to Age UK

We also note that development of tools, apps and other content will require a high level of expertise both in terms of technology but also money matters. Where the new body is inviting bids it should also have a role in ensuring a certain level of quality. We suggest that:

- There is transparency in the algorithms underlying tools. For example, HMRC publishes all its algorithms underlying its self-assessment tax return
- The new body is also able to peer review tools – it will need to be able to do so in order to understand available quality guidance and information.

We support the aim of achieving an increase in the money available for frontline services within the sector as a whole and the intention of ensuring that a diverse and hard to reach client base has access to high quality services. However as noted earlier in this response, it can be easier to find funding for new projects than to scale up or continue delivery of existing ones. It may be more helpful to think of a role for the new body in supporting a healthy, sustainable market for financial guidance rather than simply plugging gaps. We therefore suggest that rather than an objective around local rather than national level projects the new body should focus on: (i) gaps in public financial guidance for those most in need, which may include sustaining and developing existing interventions and capacity in the sector; and (ii) supporting truly innovative projects and accepting that some of them may fail. It is difficult to be genuinely innovative if there is no tolerance for projects which do not go quite as planned.

Q11 What should be included in the partnership agreement between the two bodies, and how could hand-offs best be specified?

We suggest that customer journeys are mapped and that these should form the basis for determining the most effective hand-offs.

At the same time as considering the partnership agreement and hand-offs between the two bodies we suggest that partnership agreements and referral journeys with the many other relevant organisations are also considered. These should all take into account the different needs of groups e.g. channel, language, timeframe etc. Ideally partnership agreements should also include at least outline Service Level Agreements. Data sharing will also be a key consideration.

Q12 Do you have any other comments on the proposed model?

We consider that the model has potential to function well, but will need to work through a number of challenges to function effectively. We propose that an independent high level, expert advisory group or panel should be established to support both new bodies. This panel would be able to help the new bodies as they establish effective communications between each other and could provide a valuable over-view of the pensions and money guidance landscape in its entirety. Ideally the Panel should also be able to provide early challenge to both bodies and also offer a resource and sounding board to help the bodies develop their approach. The Panel may be established as a permanent feature of the structure, or for a limited time period to support the bedding in of the new system. The Panel, or a shadow panel, could be established early to provide support during transition.

We note that TPAS is generally considered to be a valuable and highly effective organisation. The process of the restructure should learn from the challenges experienced by the Money Advice Service and should not seek to expand its work too quickly. We would welcome more detail on the degree of operational autonomy and independence proposed and suggest that the new body and most particularly the new pensions body must retain a high degree of independence.

Although we recognise the issues which have arisen around spending and perceived duplication with the MAS brand we have serious concerns about losing the existing single point of contact. The two main issues are around awareness raising and scams. There is a need to raise awareness of public financial guidance and other forms of money advice. It is not clear where this should now sit. If it is to be addressed at local level then this will need to be included as part of the funding and commissioning process.

Q14 What kind of tools and products do consumers most often use or ask about?

Q15 Which content on the MAS website is most useful for consumers?

Q16 Which content on the MAS website is it necessary to maintain because it is not provided elsewhere?

Age UK refers to MAS in a number of its guides and factsheets. Money Advice Service also provides support to Age UK to help build website tools.

The MAS website is particularly useful to us because it is a single, impartial and expert service that we can rely on. We would like to be able to direct our clients on to a single reliable website which covers money matters. Developing multiple signposts is confusing for our clients and creates significant additional work for our information and advice team as they need to check the accuracy and suitability of material signposted to. As a charity, we would be unable to signpost to financial services firms for general information or financial guidance.

We also propose that the new body periodically (perhaps every 3 years) undertakes a review of the availability and quality of information available to consumers. Where there are serious gaps which limit the ability of consumers to take action following financial guidance the new body should be able to commission new information tools.

Our experience demonstrates that information is a critical component in enabling consumers to take control of their money. The complexity of financial products and language used around money as well as lack of trust in providers mean that high quality, consumer focused, independent information is vital. For consumers who cannot afford financial advice and who therefore rely most especially on financial guidance and then need to be able to make decisions independently, the accessibility of independent and high quality information is especially important. This may become even more valuable in the future, depending on the nature of streamlined or robo-advice offers, if more and more consumers need to develop an understanding of the market with less tailored support.

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[i] NIACE, Mid-Life Career Review, Pilot Project Outcomes: Phases 1,2 and 3 (2013-2015) Final report to the Department for Business, Innovation and Skills, July 2015

[ii] Citizen's Advice, Written Evidence to the Work and Pensions Select Committee, September 2015

[iii] Citizen's Advice, The Four Advice Gaps, An analysis of the unmet consumer need around financial advice and public financial guidance, October 2015