



HM Treasury

# Public financial guidance: consultation

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October 2015





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# 1 Introduction

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## This consultation

**1.1** This consultation will consider how the government should structure the public provision of free-to-client, impartial financial guidance [referred to in this consultation hereafter as “public financial guidance”] to give consumers the information they need, to make financial decisions directly or to seek the right additional advice to help them do so. This includes information and guidance directly funded by government, and that underwritten by statute and funded by levy.

**1.2** The government believes that there is an ongoing need for public financial guidance for consumers but wants to explore how this is best targeted, delivered and funded. The long standing premise, which will be tested throughout this document, is that consumers attach a greater value to “government backed” guidance for some key financial decisions; and “Impartiality” more generally, for a wider set of decisions. “Impartiality” is hard to define, but for the purposes of this consultation it means guidance that consumers can trust to be delivered without any bias toward a particular course of action except that which serves the consumer’s best interests.

**1.3** This government also believes that any statutory or funding intervention in the guidance market should be targeted directly towards meeting consumer need, and should complement intervention which is available from other providers. Starting assumptions are that public financial guidance should particularly seek to meet consumer needs that cannot economically be met by other providers; and that its funding should be as efficient as possible.

**1.4** This consultation is being published alongside the *Financial Advice Market Review: Call for input*. HM Treasury and the Financial Conduct Authority (FCA) announced the Financial Advice Market Review (FAMR) on 3 August 2015 to look at how financial advice could work better for consumers. The Review has a wide scope and aims to look across the financial services market to understand the limitations on the availability of advice to people, particularly those who do not have significant wealth or income.

**1.5** FAMR is the wider consultation – considering questions on the definition and scope of financial advice and guidance, and closing the advice gap<sup>1</sup>. **These issues are therefore out of scope of this consultation.** The two reviews have a shared aspiration of improving the experience for consumers in accessing financial information, guidance and advice to help them make better financial decisions. The reviews will provide a complementary and comprehensive analysis of the financial advice and guidance landscape.

**1.6** The government has three additional drivers for consulting **now** on the provision of public financial guidance:

- The need to identify a long term home for Pension Wise. A machinery of government change has been announced to move the service from HM Treasury to The Department for Work and Pensions (DWP) in the short term but the final long term home of the service has not been determined and is being considered in the context of a broader consideration of public financial guidance.

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<sup>1</sup>FAMR defines “advice gap” as any situation where consumers cannot get the form of advice that they want on a need they have, at a price they are prepared to pay.

- The scope to consider a more joined-up relationship between Pension Wise and The Pensions Advisory Service (TPAS)
- The need to conclude the independent review into the operations of the Money Advice Service (MAS), in line with the 2013 House of Commons Treasury Committee report into the Money Advice Service<sup>2</sup>. The government will consider the responses of MAS and FCA to the report recommendations as part of its wider response to this consultation. This is outlined in more detail below.
- These drivers frame the scope and structure of the consultation, and the bodies under consideration.

## Current provision of public financial guidance

1.7 The organisations which provide public financial guidance, within the scope of this consultation are:

### The Money Advice Service (MAS)

- MAS was set up by government in 2010<sup>3</sup> to enhance consumers' understanding and knowledge of financial matters. In addition to this money advice role, in 2012 MAS took on responsibility for the coordination of debt advice.
- MAS is funded by statutory levies on Financial Conduct Authority (FCA)-regulated financial services firms which are administered and collected by the FCA.
- In addition to providing money guidance, MAS has responsibility for financial capability and financial education.

### Pension Wise

- Pension Wise was launched in April 2015 and, as well as online content, offers telephone guidance (through TPAS) and face-to-face appointments (through Citizens Advice). Unlike TPAS, Pension Wise only offers guidance to those aged over 50<sup>4</sup> with defined contribution pensions and the guidance must follow a prescribed format to meet FCA standards.
- Pension Wise is funded by a separate statutory levy on certain FCA-regulated financial services firms. The levy is collected and administered by the FCA, and allocated to its delivery partners on a grant basis by HM Treasury.

### The Pensions Advisory Service

- The Occupational Pensions Advisory Service (OPAS) was founded in 1983, as a charity funded by the pensions industry to give individuals access to independent and impartial help on their pensions. OPAS became The Pensions Advisory Service (TPAS) in 2004.

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<sup>2</sup> <http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/news/treasury-committee-calls-for-independent-review-into-future-of-the-money-advice-service/>

<sup>3</sup> Originally "The Consumer Finance Education Body"

<sup>4</sup> Originally only for those aged 55 and over, this was amended to include those aged 50+ in July



- Today TPAS has two core services that it offers to the public: information and guidance helplines on all pension issues (which also includes webchat and online enquiry services) and a dispute mediation service<sup>5</sup>. TPAS also does outreach work so that more of the public are aware of the service available. Since April 2015, it has been delivering the Pension Wise telephony service.
- TPAS is an executive non-departmental public body of DWP and receives grant in aid funding from the DWP for its core services. The funding is recovered through the general levy on pension schemes collected by The Pensions Regulator (TPR). It also receives a grant from HM Treasury for delivering the Pension Wise telephony channel.

**1.8** A number of other organisations have a role in providing public financial guidance including the FCA, Citizens Advice and government departments including DWP and HMRC. Consideration of these organisations' functions are out of scope of this consultation, except in so far as they directly relate to the operations of MAS, Pension Wise and TPAS.

**1.9** Dispute resolution and redress is also outside the scope of this consultation. The role of the Pensions Ombudsman and Financial Ombudsman Service (FOS) are not considered in this document, and though acknowledged, the function of TPAS to provide a dispute resolution service is not considered in detail.

## Context

**1.10** The definition of financial guidance, and the extent and method by which it should be provided by the public sector have been the subject of significant debate. A series of reviews have been conducted over the last 10-15 years, and in response the structure of provision has developed over time.

**1.11** The precise meaning of "guidance" and "advice" are being considered again through FAMR – but the government believes that regardless of the outcome, there remains a role for statutory provision of financial guidance. A brief history of the key review findings relating to provision and resulting changes is given below. The context and priorities have changed since the reviews were conducted but the government recognises the value of the existing evidence base.

## FSA public awareness objective

**1.12** Although the Financial Services Authority (FSA) introduced a consumer section to its website as early as 1999, the Financial Services and Markets Act 2000 (FSMA) set out in legislation for the first time a "public awareness" objective for the regulator which was to promote public understanding of the financial system, in particular to promote awareness of the benefits and risks associated with different kinds of investment or other financial dealing.

**1.13** The FSA led and coordinated the UK's first financial capability strategy, which identified, prioritised and then implemented projects to increase capability in areas such as schools, higher education institutions and workplaces. It also improved the accessibility and reach of its tools to help consumers analyse financial products.

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<sup>5</sup> This service is a precursor to the Pensions Ombudsman (PO) who has formal powers on receipt of a complaint following the dispute resolution process. The PO is responsible for investigating and determining complaints and disputes about how occupational and personal pension schemes are run.

## Thoresen review

**1.14** In 2008 HM Treasury commissioned Otto Thoresen to conduct a review into “generic financial advice”. The review recommended setting up an independent body to deliver a public financial guidance function – citing the following reasons for pulling the function out of the FSA:

- **Focus** – an independent body would be able to focus on just one issue, whereas the FSA would be distracted by its main regulatory responsibilities
- **Perceived conflicts of interest** – Its statutory duties as a regulator may conflict with it also being a consumer champion. A clear need was identified for the provider of financial guidance to partner with the financial services industry.

## Establishment and rebranding of MAS

**1.15** As a result of the Thoresen review, The Financial Services Act 2010 amended FSMA to require the FSA (and latterly the FCA)<sup>6</sup> to set up an independent body with the statutory objectives:

- To enhance the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
- The ability of members of the public to manage their own financial affairs

**1.16** The body was originally set up as the Consumer Finance Education Body (CFEB). In 2011 the body was rebranded as The Money Advice Service, and its statutory remit extended to include a coordination function for the provision of debt advice in 2012; this included taking over responsibility for a set of projects in England and Wales previously managed by the Department for Business, Innovation, and Skills.

## Treasury Committee report 2013

**1.17** In 2013, HM Treasury Committee published a report<sup>7</sup> following a review into the operations of MAS. The report raised serious concerns about the strategy and role of MAS and asked HM Treasury to bring forward a planned independent review to assess whether MAS should continue to exist and, if so, how it could overcome the problems laid out in the Select Committee report.

## National Audit Office report 2013

**1.18** The National Audit Office published a report “*Money Advice Service: Helping Consumers to manage their Money*”<sup>8</sup> later in 2013. Key findings were that MAS should aim to provide more of an influencing than delivery function, and that it had improved standards of debt advice. It found the debt advice service to represent value for money, but that the case was not yet proven for money advice.

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<sup>6</sup> At the time of set up, this was the FSA

<sup>7</sup> <http://www.parliament.uk/documents/commons-committees/treasury/CRC-Report-MAS-HC-457.pdf>

<sup>8</sup> <http://www.nao.org.uk/wp-content/uploads/2013/12/10278-001-Helping-consumers-to-manage-their-money.pdf>

## Review of the Money Advice Service 2014

**1.19** Christine Farnish, the former Chief Executive of the National Association of Pension Funds was commissioned by HM Treasury to lead the independent review into the operations of MAS. The report was published in March 2015<sup>9</sup>.

**1.20** The review looked at how the efficiency and effectiveness of MAS could be improved within its existing statutory framework. On debt advice, the report was positive and encouraged MAS to take further steps to improve the efficiency and effectiveness of the debt advice it funds and coordinates, in particular through 'channel shift' away from face-to-face advice where possible. On money advice and organisational structure, the Review recommended streamlining MAS's focus to concentrate on "gap filling" and strategic co-ordination and less on direct consumer engagement. The review supported MAS's work on financial capability, including leading the development of a UK financial capability strategy, and on financial education, where it recommended that MAS should take on a role in coordination of financial education in schools.

**1.21** The government published a response in March 2015<sup>10</sup>, which recognised that MAS had taken important steps in meeting the recommendations set out in the *Review of the Money Advice Service*, for example reducing marketing spend by 33% for this financial year. Both MAS and the FCA are due to respond to the final review recommendations later this year.

**1.22** Whilst acknowledging the important work of the *Review of the Money Advice Service* in identifying improvements to the effectiveness of MAS, and the changes MAS have already made, the government believes that following the launch of FAMR and introduction of Pension Wise a more fundamental review of statutory financial guidance is required – including consideration of changes to the existing statutory framework. The government has asked MAS and FCA to incorporate their responses to the *Review of the Money Advice Service* into their responses to this consultation. The government will formally respond to the *Review of the Money Advice Service* as part of a wider response to this consultation.

### **Box 1.A: How MAS has taken forward the Review of the Money Advice Service recommendations**

- MAS has taken forward 19 of the *Review of the Money Advice Service* recommendations by strengthening governance; improving information sharing with the FCA; coordinating financial education for children and young people; and setting up a Debt Advice Steering Group to unite senior leaders from across the debt sector in setting a common strategy.
- The six remaining recommendations focused on money guidance, and particularly the recommendation that MAS identify gaps to fill, rather than provide a universal service. MAS worked with an Independent Panel of industry and sectoral representatives to gather views and plan implementation.
- MAS will submit its formal conclusions on these six recommendations in its response to this consultation. MAS has already identified gaps by looking at the knowledge, skills and behaviours of 5,000 consumers from its financial capability survey. MAS used a consumer segmentation model to further focus analysis about where detriment is likely to arise. Analysis of what consumers choose to do (or do not do) highlights varying degrees of detriment across the survey. Where

<sup>9</sup> <https://www.gov.uk/government/publications/review-of-the-money-advice-service>

<sup>10</sup> <https://www.gov.uk/government/news/government-responds-to-independent-review-of-money-advice-service>

detriment is high, MAS has assessed whether provision exists that consumers can access – whether face-to-face, by telephone, online, or by other means.

- When this provision is taken into account, MAS has concluded that there are six critical gaps to fill, and that elsewhere, critical consumer needs will broadly be met.
- MAS's view is that direct delivery of services is no longer a suitable model to fill the gaps it has identified. It is therefore planning a shift from a universal, direct-delivery focused organisation, to one that creates impact through the coordination (and occasional funding) of partners. Some of the funding will be for the delivery of services – especially where it is possible to build capacity in the voluntary sector – and some of it will be needed to drive research, evaluation and innovation across the sector. Where online information is concerned, MAS's conclusion is that its website should become first and foremost a gateway to the best information available. MAS concludes that it should ensure more consumers access money guidance when they are taking important financial decisions.

## Pensions freedoms

**1.23** Following the announcement of historic reforms to pensions at Budget 2014, the government announced the guidance guarantee – that all those eligible to exercise the new freedoms would have access to free and impartial guidance on their pension options. In 2015 the government set up Pension Wise to provide this service.

## Overseas comparison

**1.24** Consumer financial education bodies of some form exist in a number of countries including the US, Canada and Australia. These bodies for the most part focus on coordination and provision of financial education. The funding for the main financial education and guidance programmes come directly from the governments or the regulators, but the financial services industry often contributes to the debt guidance programmes through a “fair share” payment of a percentage of the debt repayment proceeds.

**1.25** An annex summarising the provision of state funded financial guidance is included at Annex B.

## Equality and diversity considerations

**1.26** This consultation will consider whether there are particular difficulties in relation to public financial guidance for consumers in vulnerable circumstances.

**1.27** We will consider if there any groups of people with protected characteristics under the Equality Act 2010 face particular difficulties in accessing public financial guidance. The protected characteristics relate to, in alphabetical order: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

## Approach to the consultation

The guidance provision can be broadly separated into three categories: debt, pensions and general money. For the purposes of this consultation, we are considering the activities delivered by the organisations in scope – which are broadly debt advice, pensions guidance and money guidance. Very different provision models and issues emerge for each of these activities, and this difference is reflected in the approach taken to consideration of each in this consultation. Public financial guidance on pensions has been separated out from general money guidance because

of the complexity and long term nature of products, the additional promise to support consumers on pension provision following the introduction of the freedoms, and the number of statutory organisations providing public financial guidance on pensions.

The document will consider the status quo, assess consumer need and consider the role of government in supporting each of debt advice, pensions guidance, money guidance and financial capability [sections 2-4]. It will then consider the extent to which a more joined-up approach could be taken, and to which rationalisation could help avoid artificial distinctions [section 5] and finally ask questions on how the provision could be structured [section 6].

The government welcomes responses from all parties with an interest. The consultation closes on **22 December**. Instructions on how to respond are at Annex A.

**Box 1.B: Questions for consultation**

**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?



## 2 Debt

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**2.1** Problem debt can blight individuals' lives, and is often linked to other difficulties including family breakdown and mental illness. The government believes it is essential that individuals can access the advice to help them deal with their debts. As well as helping people get back on their feet, effective debt advice can support the economy, encouraging productivity and reducing bad debt write-offs.

**2.2** Debt advice, or the regulated activities of 'debt counselling' and 'debt adjusting', can help indebted individuals deal with their debts and return to a stable financial footing. Advice can help individuals access a range of debt solutions – from informal plans for those who are able to repay their debt, to debt write-off options under the insolvency regime for those facing more significant difficulties.

### Current government support

**2.3** Legal aid remains available for certain debt matters, including mortgage possession cases, and involuntary bankruptcy where the client is at risk of losing their home. The government has committed to review the reforms to legal aid within 5 years of implementation, and so legal aid advice is not within the scope of this consultation.

### Model

**2.4** The statutory functions of MAS were expanded in the Financial Services Act 2012 to take on additional functions related to debt management. These responsibilities were transferred from the Department for Business, Innovation and Skills. The statutory functions are:

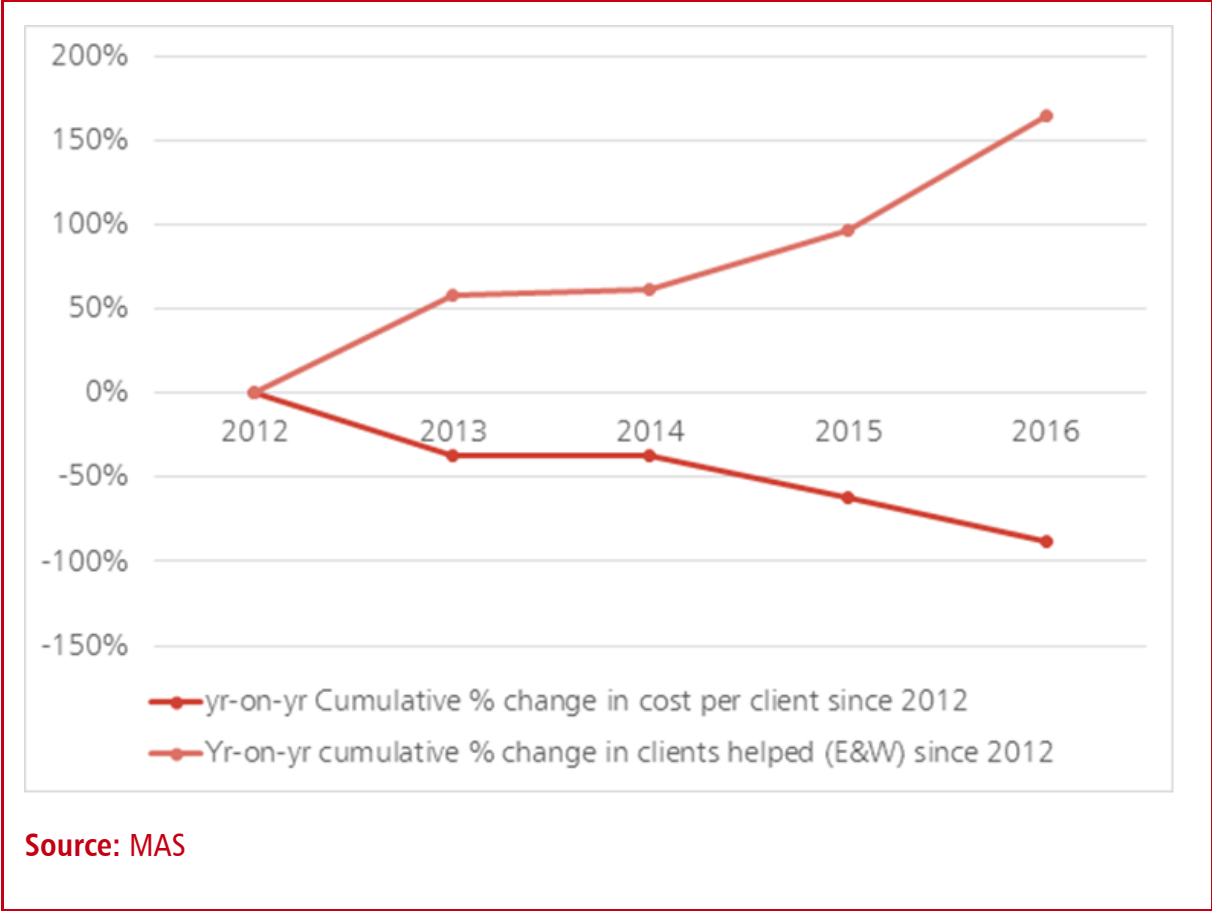
- assisting members of the public with the management of debt; and
- working with other organisations which provide debt services, with a view to improving:
  - the availability to the public of those services;
  - the quality of the services provided; and
  - Consistency in the services available, in the way in which they are provided and in the advice given.

**2.5** The service is funded through a debt advice levy collected from FCA fee blocks covering deposit acceptors and home finance providers and administrators respectively. As consumer credit firms come within the scope of full FCA regulation, they will also contribute to the MAS debt advice budget as they become authorised.

**2.6** The FCA consults annually on the amount of the levy and proposed allocation to fee blocks, at the same time as it consults on the rest of MAS's budget. The budget for debt advice rose to £45m for 2015-16, reflecting the expected increase in debt advice clients as a result of market exit by many for-profit providers as a result of the FCA authorisation process. This figure was then supplemented by a voluntary £2m contribution from the utilities sector.

Year (£ million)	2015/16	2014/15	2013/14	2012/13
Debt Advice	£45	£38.1	£34.5	£34.5

2.7 The following chart illustrates the change in cost-per-client supported against the change in number of clients supported since MAS took over responsibility for the management of projects in England and Wales in 2012.



**How does it work?**

2.8 MAS is now the largest funder of free at point of use debt advice in the UK, and it manages this funding through grants to five lead organisations in England and Wales, a funding partnership with the Scottish Government, and a funding partnership with the NI Assembly <sup>1</sup>. In total MAS provides funding to almost 400 participant organisations across the UK. Since 2014 MAS has provided greater certainty and stability for these advice providers by agreeing three-year funding arrangements. Over 90% of MAS funding goes to front-line services, with other uses including funding sector research to monitor advice needs and evaluate the effectiveness of advice delivered.

2.9 MAS works with advice providers to maximise efficiency of debt advice provision, encouraging innovation and commissioning providers where it identifies need. MAS also sets standards for debt advice provision, including through a Quality Framework against which providers may be accredited. This broad coordination role has strengthened following the recommendations of the *Review of the Money Advice Service*, most significantly in the establishment of a new Debt Advice Steering Group to bring together major creditor groups and debt advice providers.

<sup>1</sup> The five lead organisations in England and Wales are Citizens Advice, Capitalise, East Midlands Money Advice, Money Advice West and Greater Merseyside Money Advice Partnership.



**2.10** In addition to providing advice to those who have problem debts, MAS also leads work on debt prevention, both through its money guidance and budgeting work, and by identifying ways of directing consumers to appropriate advice before their debts become unmanageable.

## How does government support fit with wider provision?

**2.11** Indebted individuals can seek debt advice from not-for-profit providers or from the commercial sector. MAS estimates that there are around 1.5 million people seeking debt advice and approximately 8.8 million people with problem debts,<sup>2</sup> of which the FCA estimates around 1.1-1.2 million are using not-for-profit providers.

**2.12** MAS has responsibility for coordination of statutory debt advice across the UK and works with and provides funding to the major not-for-profit providers, including both Citizens Advice and the Money Advice Trust (which runs the National Debtline). These organisations also receive additional funding from a wide variety of other sources (such as local authorities or direct from businesses, which can be significantly higher). Certain free-to-client providers operate a different model, most notably Stepchange (which is not-for-profit) and Payplan (which is profit-seeking) which generate funding through 'fair share' agreements where creditors contribute a proportion of the debt recovered through debt management plans.

**2.13** The main commercial providers of debt advice are profit-seeking debt management firms. The fee-charging sector has had a history of poor behaviour and consumer detriment, highlighted most recently by the FCA's thematic review into the quality advice provided across the sector.<sup>3</sup> Since April 2014 these firms have been regulated by the FCA as part of its consumer credit regime, and the FCA is currently assessing firms' authorisation applications. The capacity of the market for debt advice is unclear pending decisions yet to be made by the FCA on whether individual firms successfully meet the relevant criteria for authorisation.

## Should any changes be made to government provision?

**2.14** The *Review of the Money Advice Service*, published earlier this year, noted the good work MAS had done in its debt advice role, and identified areas for further improvements. This consultation provides an opportunity for more fundamental consideration of the role of government and statutory organisations in the provision of debt advice.

**2.15** The government is clear that there is an important role for a statutory debt advice body in helping indebted consumers access free and high-quality impartial debt advice. However, there remain several questions as to the appropriate nature of such a role, and how existing arrangements could be improved.

**2.16** First, there is a question as to how a statutory body could help more indebted consumers access to free debt advice. This is the core plank of the MAS debt advice strategy and has been agreed as a priority by the Debt Advice Steering Group. The *Review of the Money Advice Service* made recommendations such as developing a common front-end system to triage consumers into the most appropriate advice channel which may warrant further consideration, but would require significant cooperation.

**2.17** Secondly, there have been some concerns raised about MAS's role in setting standards for debt advice. As noted by the National Audit Office, MAS has raised standards through mechanisms including the Quality Framework against which providers' quality standards can be

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<sup>2</sup> 'Indebted lives: the complexities of life in debt', MAS, November 2013

<sup>3</sup> 'Quality of debt management advice', FCA, June 2015

accredited. However, some stakeholders have suggested that, with the advent of the FCA's new, more robust regulatory regime for debt advice, there is a risk of 'double' regulation. It will be important to consider the appropriate role for a statutory debt advice body in setting standards and driving quality and efficiency improvements as part of the new regulatory landscape

**2.18** Finally, as set out in statute MAS-coordinated debt advice is funded solely by FCA-regulated firms. Although other businesses and industries may provide funding for debt advice provision direct to the voluntary sector, it has been argued the funding basis for statutory debt provision does not accurately reflect the causes of debt. The *Review of the Money Advice Service* highlighted this issue and helped to secure a £2m voluntary contribution from the energy and water sectors for 2015/16. It may be that further consideration is needed as to what the appropriate funding base should be for a statutory debt advice body.

**Box 2.A: Questions for consultation**

**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?

# 3 Pensions

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**3.1** People find it hard to engage with or understand their pensions due to the high level of product complexity. There is a clear need to help consumers to make effective decisions for their retirement, by ensuring that information and guidance is available to them on contribution levels, automatic enrolment, taxation and ways to access their pension pot.

**3.2** The introduction of the pensions freedoms in April 2015 has provided more choice at retirement, and generated a greater need to give consumers the guidance they need to make the choices that are right for them. The government introduced Pension Wise to address this specific need, and believes that those aged 50 and above, with a defined contribution pension should continue to benefit from a free-to-client guidance service.

## Current government support

### Model

**3.3** Public financial guidance is provided by all three providers under consideration in this consultation. The structure of each organisation and nature of this guidance is described below.

### Pension Wise

**3.4** The statutory basis for Pension Wise is set out in Part 20A of FSMA. This outlines the framework for establishing a pensions guidance service. FSMA defines pension guidance as:

- "...guidance given for the purpose of helping a member of a pension scheme, or a survivor of a member of a pension scheme, to make decisions about what to do with the flexible benefits that may be provided to the member or survivor."

**3.5** HM Treasury makes arrangements for the provision of pensions guidance to those aged 50 plus seeking to access these freedoms, and may take steps as considered appropriate to ensure individuals have access to this guidance. This may include seeking to increase awareness and undertaking or commissioning research.

**3.6** To ensure that the guidance is completely impartial it is provided – as a matter of government policy – by independent organisations with no actual or perceived conflict of interest. The Act lists the bodies which are to give pensions guidance in accordance with the arrangement of HM Treasury. These are TPAS, Citizens Advice England and Wales, Citizens Advice Scotland, and Citizens Advice Northern Ireland. These bodies have the authority to make arrangements with third parties to discharge their duties.

**3.7** The Act also has measures to ensure that pensions guidance meets particular standards. The standards are designed to ensure that the guidance is impartial, consistent and of good quality, in order to give an appropriate degree of protection for recipients. The FCA is tasked with setting the standards for pensions guidance and for monitoring and compliance. The FCA is also responsible under the Act to require particular pension providers to "signpost" towards the guidance service, and trust based scheme providers are also required to "signpost". The FCA has implemented this requirement through rules in its Handbook, which apply to the firms it regulates.

**3.8** The Act gives Treasury the authority to make grants and loans to TPAS and Citizens Advice<sup>1</sup> to carry out the pensions guidance function. The Act also states that the FCA has the authority to raise a levy on FCA authorised firms or particular FCA authorised firms to pay for the cost Treasury incurs in providing pensions guidance. The service will move from HM Treasury to DWP by March 2016, and the move will be enacted by a transfer of functions order.

**3.9** The FCA has stated that they will recover the £39.1 million cost of providing pensions guidance for financial year 2015/16 from a levy on certain FCA-authorized firms. Fee blocks contributing to the pension guidance levy are deposit acceptors, life insurers, portfolio managers, managers/depositaries of investment funds and operators of collective investment schemes or pension schemes, and advisory arrangers, dealers or brokers. The allocation of the total levy between these fee blocks is calculated by the FCA based on potential benefit to firms in providing the retirement products and services consumers choose as a result of the pension reforms. Eligibility for the pension guidance levy is subject to thresholds for UK deposits/annual income/funds under management.

### **The Pensions Advisory Service (TPAS)**

**3.10** TPAS was founded as a charity. Prior to the creation of Pension Wise, it received the majority of its funding from DWP and as such in 2006 it was designated as an executive non-departmental public body (NDPB). DWP has statutory powers to provide grant-in-aid funding to TPAS, which can be recovered through a levy on the pensions industry.

**3.11** In 2010 DWP signed a framework document with TPAS which gave the Secretary of State for Work and Pensions the power to appoint the Chairman, as well as requiring the approval of the Secretary of State for the appointment of other board members and the chief executive. DWP approves framework documents, annual business plans and three-year corporate plans, and also monitors in year performance for the organisation.

**3.12** TPAS funding for this financial year is £7.2m and comprises two income streams. DWP provide £3.6m through grant-aid to fund TPAS' core services; the power for DWP to pay grant in aid funding, which is recovered through the general levy on pension schemes collected by TPR is in legislation. The second income stream is £3.6m to deliver the telephone service for Pension Wise, which is taken out of the total £39.1m Pension Wise budget.

### **Money Advice Service**

**3.13** MAS provides guidance on general money matters, including support for consumers making choices about their retirement and managing their money through retirement. They provide a series of online guides and tools to help people to plan for later life. The structure and governance of the organisation is given in the next chapter "money guidance" but details of the pension related services provided are given in this section.

**3.14** MAS is required by FCA to produce a printed guide for providers to include in "wake up packs" sent to consumers within 6 months of retirement<sup>2</sup>. They also provide two main products to help those making decisions about their pensions: an "annuities comparison" table to give consumers access in one place to quotes from the whole market of pension providers and a "Retirement adviser directory" where consumers seeking regulated financial advice on their pension can find an appropriate adviser.

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<sup>1</sup> Citizens Advice England and Wales, Citizens Advice Scotland, Citizens Advice Northern Ireland.

<sup>2</sup> *Your pension: it's time to choose* [<http://comfy.moneyadvice.service.org.uk/system/comfy/cms/files/files/000/000/052/original/MAS-A5-YPITTC-ONLINE-APRIL-2015-3.pdf>]

## How does it work?

**3.15** Pension Wise was set up following a government commitment that every individual able to take advantage of the new flexibilities be offered free and impartial guidance to allow them to make confident, informed choices about how to use their pension savings. The guidance service equips and empowers people with defined contribution<sup>3</sup> pension pots who are over the age 50, enabling them to navigate the options without making specific recommendations. Consumers with direct benefit pensions are not eligible for the new freedoms but can receive public financial guidance through TPAS. The government would be interested to hear views as to whether those with defined benefit schemes would benefit from additional support.

**3.16** Pension Wise is branded as a “government backed” provider, to give consumers greater confidence in the impartial information provided. It provides a multi-channel service:

- Face-to-face appointments are delivered by Citizens Advice England and Wales, Citizens Advice Scotland and Citizens Advice Northern Ireland;
- Telephone appointments are delivered by TPAS; and
- A website was built and is hosted and maintained by HM Treasury

**3.17** All the delivery partners are governed by FCA standards to ensure a consistent level of service is provided to customers<sup>4</sup>. In addition FCA has introduced rules that require firms to give customers appropriate retirement risk warnings to help them understand the implications of their decisions. Firms are also required to encourage customers to use Pension Wise or seek regulated advice to understand their options. TPR has set out similar processes for trust based schemes.

**3.18** Any individual aged 50 or above is eligible for a free appointment through the service. The appointments are tightly bounded and cover a specific set of questions outlining the options for defined contribution pension savings. Following the appointment, customers are provided with a summary document that will include a record of their options and what next steps they might choose to take – it does not provide a definitive course of action but the next steps may include doing nothing, or contacting their provider or an Independent Financial Adviser (IFA).

**3.19** The responsibilities of Pension Wise and MAS are clearly defined in some situations. For example, if a consumer wishes to find out more about annuity products, Pension Wise will direct them to the MAS’s annuity comparison table. If a consumer wishes to look into regulated financial advice, the service will direct them to the MAS’s financial adviser directory. In turn, MAS directs consumers to Pension Wise through their “Wake up packs”. The printed guide *Your Pension: it’s time to choose* is co-branded with Pension Wise and provides information about Pension Wise and how to prepare for retirement.

**3.20** However, there is some overlap between the services the two organisations provide. MAS has a much wider remit, and its website provides a comprehensive pensions and retirement section that includes saving for retirement and automatic enrolment. MAS also provides face to face appointments and a telephone helpline that provides guidance on wider financial matters

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<sup>3</sup> A defined contribution pension is a pension pot that is based on how much is paid in. [<https://www.gov.uk/pension-types>]

<sup>4</sup> <http://www.fca.org.uk/static/documents/policy-statements/ps14-17.pdf>

including pensions, with hand offs to TPAS and Pension Wise [more information in section 3 – Money Advice]. Both the Pension Wise and MAS websites include guides on pension pot options and working out how much money may be needed in retirement.<sup>5</sup>

**3.21** TPAS provides a comprehensive pension guidance service, which is complementary to and has some crossover with the offers of MAS and Pension Wise. The TPAS budget from DWP and HM Treasury is broadly the same. TPAS provides two core services: a pensions dispute mediation service, staffed by employees plus trained volunteers with extensive experience in the industry; and a helpline offering telephone, web chat and online channels that provides information and guidance on pensions. Their website is hosted independently but can be accessed through gov.uk. It provides a range of information on how to save and access your pension. TPAS has set up internal processes to ensure that customers unsure of whether they need the business as usual service or a Pension Wise appointment or both are directed to the right place seamlessly.

**3.22** The levy arrangement in place means that all three levies in effect fund some public financial guidance on pensions – the FCA levy to fund Pension Wise, the FCA levy to fund money guidance (MAS) and the grant awarded by DWP to fund pensions guidance (TPAS), which originates from a levy on the pensions industry. There is a risk therefore that some organisations are providing funding contributions towards the same activity through different levies (e.g. production of web content to help pensions).

## **How does government support fit with wider provision?**

**3.23** Public financial guidance is only part of the picture on pensions decisions. The government believes that providers have a responsibility to make their customers aware of the implications of any decision they take with regard to their pension pot. That is why the FCA introduced the retirement risk warnings to ensure that providers alert customers of the impact of their decisions.

**3.24** Information and guidance on saving for and accessing pensions is also provided by the voluntary sector and industry providers. In some cases, partnerships are well established, for example, there is a defined customer journey in place to assist with Automatic Enrolment which comprises MAS, TPAS, TPR and DWP; and all three of MAS, Pension Wise and TPAS have protocols in place to pass customers on to other partners where they lack specific expertise – for example where pensions questions are combined with issues relating to debt or social care. However, a different protocol is in place for each organisation.

**3.25** None of the statutory organisations or voluntary sector organisations providing financial guidance are allowed to recommend a specific product to a customer. This would go beyond the boundaries of guidance, which cannot provide a definitive course of action. In addition to playing a vital role in directing consumers to the right guidance, financial advisers and providers will be key to ensuring that consumers receive the advice they need. The government is therefore making provision of adequate pensions advice by firms a central pillar of FAMR.

## **Should any changes be made to government provision?**

**3.26** Following the introduction of new pensions freedoms, consumers have more choice on how to access their pensions. Moreover, such decisions are no longer one-off events, and many consumers will require ongoing support to plan for and manage their retirement income, and consumers will need to take such decisions with greater regard to their wider financial situation.

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<sup>5</sup> Pension Wise – *Work out how much money you'll have in retirement*, MAS – *How long will your money last in retirement*

**3.27** At present there is crossover in the provision of public financial guidance on pensions for decisions taken at retirement between the organisations in scope of this consultation, particularly on web content. In addition, with three streams of levy funding being directed towards activity which has a pensions guidance element, there may be an opportunity to rationalise the delivery of statutory pensions guidance to make it easier for consumers to understand where to access information, ensure an efficient but accurate and helpful service is provided, and generate efficiencies, and the government welcomes views on where this could be achieved. Legislative changes may be required to achieve rationalisation. This is discussed further in the final section of the document.

**Box 3.A: Questions for consultation**

**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?





# Money and financial capability

## 4

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**4.1** For the last fifteen years, there has been an objective in statute first for the regulator, then for MAS to increase consumers' financial awareness and help them make better decisions. Significant changes, largely technology driven, have taken place since the objective was first introduced, to the availability of information and consumer preferences on how to access it.

**4.2** The government recognises the importance of impartial financial guidance and that increased financial capability for consumers will lead to better outcomes for both consumers and the wider economy. As people are more able to make sound, long-term financial decisions, they will also encourage more competition in the financial services market.

### Current government support

#### Model

**4.3** Consumer financial education became part of the UK's statutory financial services regulatory system for the first time in 2000 with the passage of the Financial Services and Markets Act 2000 (FSMA) and the creation of the FSA.

**4.4** In 2010 this function transferred from the regulator to a new independent body. The Financial Services Act 2010 modifies the Financial Services Markets Act 2000 (FSMA) to insert the requirement that the FSA (and latterly the FCA) establish a "consumer financial education body" (now branded MAS). The Act sets out the body's objectives and functions. These are to promote:

- the understanding and knowledge of members on the public of financial matters (including the UK financial system); and
- the ability of members of the public to manage their own financial affairs.

**4.5** The Act also states that the functions of the body include:

- promoting awareness of the benefits of financial planning;
- promoting awareness of the financial advantages and disadvantages in relation to the supply of particular kinds of goods or services;
- promoting awareness of the benefits and risks associated with different kinds of financial dealing (which includes informing the Authority and other bodies of those benefits and risks);
- the publication of educational materials or the carrying out of other educational activities; and
- the provision of information and advice to members of the public.

**4.6** The legal framework provides that MAS is an independent statutory body but that the FCA must take steps necessary to ensure that MAS is capable of exercising its function. Specific FCA responsibilities are:

- the appointment and removal of the MAS board, appointment of the Chair and Chief Executive are subject to Treasury approval;
- approving the annual budget and business plan (although HM Treasury is also to be consulted);
- receiving an annual report in relation to the discharge of the MAS statutory responsibilities; and
- appointing an independent person to conduct a review of the economy, efficiency and effectiveness of MAS's use of resources, Treasury must be consulted on this.

**4.7** The FCA and MAS also have a memorandum of understanding to govern working relationships, and the FCA has established a specific oversight board for MAS.

**4.8** The Financial Services Act 2012 added requirements for MAS to be within the scope of the NAO for audit purposes and a duty to cooperate and share information with the FCA.

**4.9** In addition to approving the budget, the FCA is in charge of administering the collection of MAS's budget through a levy on certain FCA-regulated firms. The money advice levy is collected from a number of different 'fee blocks' from FCA-authorized firms. Different fee blocks represent different types of business – for example, insurers and fund managers.

## **How does it work?**

**4.10** MAS's statutory remit is broad, and its interpretation of this role and delivery model have been the subject of three reviews, as outlined in the introduction to this document. The FCA and HM Treasury approve the budget and business plan, but MAS is responsible for setting its own strategic direction.

**4.11** MAS provides money guidance through:

- A website managed by MAS;
- Face-to-face appointments provided through PeoplePlus (previously A4e) in England and Northern Ireland and Citizens Advice in Scotland and Wales; and
- Telephone services and webchat services provided through Turn2Us.
- Less than 1% of total contacts are made through the non-web channels.

**4.12** MAS adopted a "digital first" strategy from the start, and focuses on directing people to its website. As noted above, the website is delivered by an in-house team with the construction of some features (such as tools) being contracted out. The website has a number of features including:

- Tools – to allow individuals to personalise their money management and make more informed decisions. They cover a range of topics including budgeting, borrowing, mortgages and pensions.
- Guides – to provide consumers with information on specific topics. The topics covered are outlined below.
- Blog posts and newsletters – to provide information on particular topics and point consumers to guides and tools.

- Printed guides – to provide more in depth information on topics such as mortgages, pensions, redundancy and Universal Credit. Some guides are mandated FCA regulation; others are delivered in partnership with DWP and FCA.
- Letter templates – for use by consumers seeking to cancel services or make complaints in specific situations (for example making Payment Protection Insurance mis-selling claims).

**4.13** The provision of money guidance is often a starting point. MAS encourages consumers seeking guidance on specific financial decisions to consider these in the context of their wider circumstances, and provides information on how to budget, save or reduce debts as appropriate.

**4.14** MAS partners with a number of other bodies including central government departments such as HMRC, the voluntary sector and financial services and other private sector firms, some of which also provide money guidance in their own right. For example, it is working with the DWP to provide budgeting support for Universal Credit applicants. Some partners refer their clients to MAS, others deliver MAS content to consumers through, for example, hosting tools on their websites or distributing printed guides.

**4.15** The government recently consulted on proposals to give MAS new duties to satisfy requirements of the EU Payment Accounts Directive: to develop and maintain a current accounts comparison table, and to raise awareness among hard to reach groups of the features and availability of basic bank accounts.

**4.16** MAS also undertakes pilot projects and conducts research to better understand the consumer need for financial guidance and how it could best be addressed. In addition to delivering money guidance directly to consumers, MAS also focuses on increasing consumers' financial capability, i.e. their ability and motivation to understand and take control of their financial affairs and make financial decisions. This includes research to understand what influences financial decisions, and work with a range of partner organisations to test ways to help people make better decisions.

## **Financial Capability and Financial Education**

**4.17** MAS has a leadership role in financial capability and financial education, for children and adults. Financial capability is the ability to understand and manage personal finances effectively, and allow people to manage their money day to day and make long term provision for their financial future.

**4.18** Financial capability activities for both children (whose financial behaviour is shaped early in life) and adults are undertaken by a wide range of organisations. MAS leads the development of the evidence base on current levels of financial capability to increase understanding of which measures – whether delivered directly by MAS, by the voluntary sector, or by businesses – are effective in enhancing people's financial capability. Such measures can increase the efficiency of the financial services industry, and deliver long term economic benefits, by increasing consumers' ability to plan for their financial future, and drive competition in the provision of financial services and products.

## **How does government support fit with wider provision?**

**4.19** Money guidance is widely provided by the government, the voluntary sector and the industry. Some organisations, for example Citizens Advice, both provide guidance in their own

right, and contract and partner with statutory bodies to do so. The *Review of the Money Advice Service*<sup>1</sup> noted that there was overlap in service provision in this space.

**4.20** The way that people access information is changing – with more and more people using internet searches to find the information that they need. A number of websites provide similar material to that provided by MAS, many of them voluntary sector websites with similar claims to impartiality. MAS aims to differentiate itself by providing an integrated service to help consumers consider financial decisions in the round.

**4.21** MAS provides a source of funding to support pilot projects trialling ways to improve the financial awareness of different groups of consumers, and guidance on how to structure these projects. Following the *Review of the Money Advice Service*, MAS has undertaken a comprehensive analysis of consumer need and provision across the public, private, and voluntary sectors, to determine where resources can best be targeted to improve consumers' financial capability.

**4.22** MAS has also served a leadership role in providing financial capability throughout the sector, which will be further developed through delivery of the financial capability strategy<sup>2</sup>.

## **Should any changes be made to government provision?**

**4.23** The *Review of the Money Advice Service* noted that there have been significant changes in the last few years in the financial guidance landscape, including huge expansion in the provision of good quality information on websites that consumers visit and trust. In the context of this change, and the launch of the *Financial Advice Markets Review* which is exploring consumer need for guidance and advice more generally, the government would welcome views on the role for government support in the provision of money guidance and promotion of financial capability.

**4.24** The original vision for the Consumer Finance Education Body was to be a coordinator – acting as a strategic triage service to ensure that funding is targeted towards improving consumer awareness of money matters. A holistic direct delivery service was not originally envisaged as part of its role, although the way that the statutory objectives are drafted is not entirely consistent with the original vision. The direct delivery approach, and consequent need to direct significant funding towards promoting the MAS brand was one of the key criticisms of the House of Commons Treasury Committee.

**4.25** In contrast, MAS has taken a coordination role in the delivery of its debt advice function, and the view that a similar approach should be taken for money guidance was reiterated in the *Review of the Money Advice Service*. Over the last 2-3 years, MAS has made a number of changes to its service, acting more as a coordinator, contracting out more services and working in partnership with other organisations. However, the majority of funding is still directed towards the delivery function, and the costs associated with maintaining the website. The government would welcome views on whether this remains the right model.

### **Box 4.A: Questions for consultation**

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

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

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<sup>1</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/414812/PU1736\\_MAS\\_review\\_document\\_19\\_March.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/414812/PU1736_MAS_review_document_19_March.pdf)

<sup>2</sup> <http://www.fincap.org.uk/>

**Q10.** What role, if any, should a statutory body have in supporting financial capability?

**Q11.** What scope is there to rationalise the funding of public financial guidance provision on money matters and / or financial capability?



# 5 What does government need to provide?

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**5.1** Sections 2-4 set out the consumer needs and delivery issues surrounding provision of public financial guidance across the three main categories of debt, pensions and generic money as well as discussing the broader promotion of financial capability. This section considers whether the government could improve public financial guidance provision to deliver a high quality service which recognises the bespoke needs of each of these areas but provides a more comprehensive offer for the consumer.

## Consumer need

**5.2** The current approach to public financial guidance provision varies across the three main categories of pensions, debt and money guidance, and financial capability. This reflects the historic development of these services through the voluntary sector and other providers in the market, as well as the way that consumer needs have evolved over time.

**5.3** However it would be simplistic to assume that consumer issues could be neatly divided into one of the above categories – in reality, a person may be looking to resolve a series of linked issues, and, as with financial advice, would often benefit from being able to consider their needs in the round. The House of Commons Treasury Committee noted that “debt advice and money advice form a whole package, in which money advice is preventative and debt advice is needed for crisis intervention”. Since the introduction of pension freedoms and auto-enrolment, and in the context of broader changes to the nature of retirement, public financial guidance on pensions is also a central component of this package – both specific guidance relating to the new freedoms, and more comprehensive guidance throughout a person’s working life<sup>1</sup>.

**5.4** Delivery of a joined-up service for the consumer does not mean, however, that provision has to be through one organisation. As noted in the *Review of the Money Advice Service*, the evidence shows that in practice people turn to a range of different providers for information and help, including commercial providers, but greater coordination could improve the offer to the consumer.

**5.5** The key issue for government is that people are able to access public financial guidance, where appropriate, and are aware of how this provision could help them. The government would also like to make sure that the funding for statutory guidance provision as a whole is appropriate, both in value and structural terms. The rest of this section explores: current delivery model constraints; examples of integration; analysis of gaps; and the opportunities for coordination through a more integrated approach, or alternative provision.

## Current delivery model

1. As set out previously, there are currently a wide range of bodies providing guidance to individuals on the related issues of public financial guidance on debt, pensions, general money matters and financial capability:

- *Debt*: MAS has grant agreements with 5 lead organisations in England and Wales to deliver debt advice alongside its partnerships with the Scottish Government and the NI Assembly. The 5 lead organisations in England and Wales are able to enter into arrangements with other providers in line with business plans and objectives agreed with MAS. In total MAS provides support to more than 400 participant organisations across the UK.
- *Pensions*: Complete pensions guidance is supplied directly by TPAS. MAS and Pension Wise provide web content on pensions. Pension Wise provides specific guidance on retirement options from defined contribution pots through a telephony service delivered by TPAS, and a face-to-face service delivered by Citizens Advice, Citizens Advice Scotland and Citizens Advice Northern Ireland
- *Money*: MAS provides a web service directly, and telephony and face-to-face services through commercial and not-for-profit partners. It also partners with a range of organisations to deliver services and conducts research and evaluation.
- *Financial Capability*: MAS leads the development of financial capability policy and coordinates financial education activities in schools delivered by a range of organisations. It also conducts research and evaluation and maintains an evidence hub.

**5.6** Under the current framework, the delivery of a joined up service which recognises broader consumer need is somewhat constrained. In some cases, the **statutory or regulatory constraints** of the individual organisations can limit their ability to deliver a holistic service. In particular, where a body is set up with a specific purpose like Pension Wise, for clear reasons it cannot branch out into provision of wider public financial guidance. This was intentional and the government has no intention of reducing the offer to consumers that was built into the legislation. In others, **funding arrangements** can constrain providers. For example, MAS has entirely separate levy funding arrangements for its debt and money guidance, and has limited scope to re-channel the funding between these different forms of guidance in response to consumer need.

**5.7** There are some examples of very good integration of services. Both government and the wider sector already make use of partnerships, referrals and “hand offs”<sup>2</sup>. Examples such as the TPAS’s “hand offs” between their core service and Pension Wise show that within organisations there is considerable scope for ensuring a joined up service where contracts are appropriately structured. With respect to debt advice, as highlighted by the *Review of the Money Advice Service*, MAS’s partnerships with voluntary sector organisations to deliver debt advice has led to cost effective delivery of guidance to consumers.

**5.8** MAS is preparing to publish a sector wide, 10 year strategy on financial capability, which will be owned by a board of sector representatives, and delivered through expert sub-groups. The government supports the aims to involve the whole sector in efforts to improve financial capability. An ongoing data collection exercise will underpin the strategy.

**5.9** However, the organisation of the statutory guidance landscape is complicated and there is some duplication of content. This is not an inherent problem but it does provide an opportunity to consider whether the provision or funding could be rationalised; or whether new opportunities could be explored which better address consumer need.

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<sup>2</sup> Putting consumers who make contact about one issue in contact with another provider with a greater knowledge of a second issue



## Alternative options

**5.10** Another option to consider is whether government should be supporting guidance in any form other than through the direct provision, contracting and partnership channels. The government is keen to explore new ideas for provision of public financial guidance. For example, one possible model might be a government-backed voucher scheme whereby a consumer could be provided with one or multiple vouchers for financial guidance sessions which could be redeemed with a range of accredited partners. The government welcomes views on this and any other suggestions for alternative models for the provision of public financial guidance.

## Role of the government

**5.11** The government has no desire to duplicate functions already provided effectively in the voluntary sector and industry, or to reduce the innovation of the sector through imposing excessive integration. However, several of the reviews which have been conducted in recent years suggest that a useful statutory function could be to better coordinate guidance in the sector – through partnering or contracts, to use funding more effectively and increase the reach of public financial guidance activities.

### Box 5.A: Questions for consultation

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

**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?

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



# 6 How should it be provided?

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**6.1** The previous sections outlined current public financial guidance arrangements, and possible areas of focus. This section attempts to isolate the core services which government should continue to provide, and consider what principles could lie at the heart of more efficient statutory provision, and an appropriate assurance regime.

## Core services

**6.2** As noted, regardless of the outcomes of FAMR, the government believes that a statutory role remains appropriate in the provision of public financial guidance.

**6.3** The government believes regardless of structure, statutory providers should continue to deliver a set of core services, which should include at a minimum to:

- deliver free-to-client appointments to meet the pension guidance guarantee; and
- co-ordinate delivery of free-to-client debt advice appointments.

**6.4** This is a non-exhaustive list and the government welcomes ideas for additional services.

## Principles

**6.5** In addition, the government believes that it is important to identify a set of principles to underpin the provision of statutory guidance. The sort of principles which might be appropriate are listed below. Again, this is a non-exhaustive list and the government welcomes both views on this list, and ideas for adding or removing principles:

- **Consumer friendly.** Consumers wanting to access impartial guidance should be able to find the answer to their queries.
- **Rationalised.** Consumers should not have to assess the relative value of different statutory products on the same theme.
- **Efficient.** Thought should be given to how to make statutory or government funding as efficient as possible.
- **Cohesive.** Government provision should complete not compete in the environment – it should not interfere with successful business models.
- **Evidence-based.** Services available to consumers should be developed based on sound evidence of customer need.
- **Promoting innovation.** Government provision should enable innovation in the sector.

## Accountability

**6.6** The current legislative basis of the statutory organisations is varied. Pension Wise is accountable directly to HM Treasury and from April 2016 to DWP, MAS is accountable to both Treasury and the FCA, and TPAS is an arms-length body ultimately accountable to DWP. Over

the life of the consultation, the government will consider the extent to which the current accountability arrangements are appropriate, whether accountability should be rationalised and what kind of assurance regime would be appropriate in assessing the effectiveness of the statutory provision.

## Structure

**6.7** None of the principles, the accountability regime or the core services dictate a particular delivery structure. However the government would like to test the case for some form of structural rationalisation to improve the offer to the consumer.

**6.8** At this stage, the government is seeking views on how provision could be structured to best meet the above criteria. In particular the government does not want to change things that are working well; but welcomes view on how a structural change could help make improvements to improve the offer to the consumer.

### Box 6.A: Questions for consultation

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

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

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

# 7 How to respond and next steps

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## How to respond

**7.1** This paper is available at [www.gov.uk/government/consultations/consultation-public-financial-guidance](http://www.gov.uk/government/consultations/consultation-public-financial-guidance)

**7.2** The government welcomes responses to the questions raised in this consultation; these are summarised in Annex A. Respondents are encouraged in their responses to add any additional information they feel is relevant to this consultation.

**7.3** Responses to this consultation should be received by **22 December**. The government cannot guarantee that responses received after this date will be considered.

**7.4** Responses to this consultation should be sent to:  
[financialguidanceconsultation@HMTreasury.gsi.gov.uk](mailto:financialguidanceconsultation@HMTreasury.gsi.gov.uk)

## Confidentiality

**7.5** Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes. These are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act 1998 (DPA) and the Environmental Information Regulations 2004.

**7.6** If you want the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory Code of Practice with which public authorities must comply and which deals with, among other things, obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury.

**7.7** HM Treasury will process your personal data in accordance with the Data Protection Act and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

## Next steps

The government will consider responses and report back ahead of Budget 2016, alongside the Financial Advice Market Review.



# A List of questions

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## Chapter 1- Introduction

- 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?

## Chapter 2 - Debt

- 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?

## Chapter 3 - Pensions

- 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?

## Chapter 4 - Money and financial capability

- Q8. Are the statutory objectives underpinning MAS the right ones?
- Q9. What role, if any, should a statutory body have in providing general money guidance?
- Q10. What role, if any, should a statutory body have in supporting financial capability?
- Q11. What scope is there to rationalise the funding of public financial guidance provision on money matters and / or financial capability?

## Chapter 5 - What does government need to provide?

- Q12. How do you think that the government could best complement voluntary sector provision of financial guidance?
- Q13. Do you think that the government could offer a more integrated public financial guidance service to consumers, throughout their lives? How do you think this could be achieved?
- Q14. Do you think the government should explore any alternative options for the provision of public financial guidance?

## Chapter 6 - How should it be provided?

- Q15. Are the suggested core services the right ones? Should any core services be added?
- Q16. Are the suggested principles the right ones to underpin the statutory provision of the core services? Should any principles be added or removed?
- Q17. Do you think that statutory provision should be restructured to improve the guidance service to consumers, and if so, how?



# International comparisons table

B

Country	Financial Capability Body	Financial Education Delivery Method	Targeted Financial Guidance Services	Funding and Accountability Framework
USA	Consumer Financial Protection Bureau	<ul style="list-style-type: none"> <li>-Development of direct to consumer resources to assist consumers at major life events</li> <li>-development of evidence on “what works”</li> <li>-Interactive student financial guides</li> <li>-ask CFPB: online tool providing answers to financial questions</li> <li>-Owning a Home tool and resources</li> </ul>	<ul style="list-style-type: none"> <li>- Provided by the voluntary sector, and funded mainly by the financial industry with some government grants</li> <li>- Many voluntary sector organisations charge a small fee, which may be waived if necessary</li> </ul>	<ul style="list-style-type: none"> <li>-Established by Dodd-Frank Act</li> <li>-Funded by Federal Reserve Board system</li> <li>-Director appointed by President and approved by Senate</li> <li>-Reports to Senate Banking Committee and House Financial Services Committee bi-annually</li> </ul>
USA - Retirement	Retirement made simpler	<ul style="list-style-type: none"> <li>- Developed in partnership by FINRA, AARP and the Retirement Security Project (RSP)</li> <li>- Provides website with information and toolkits on automatic retirement plans</li> <li>- Promotes behavioural finance principles to foster improved retirement savings</li> </ul>	<ul style="list-style-type: none"> <li>- Not provided by Retirement made simpler</li> </ul>	<ul style="list-style-type: none"> <li>- Funded by and accountable to FINRA, AARP and RSP</li> </ul>

Country	Financial Capability Body	Financial Education Delivery Method	Targeted Financial Guidance Services	Funding and Accountability Framework
Canada	Financial Consumer Agency of Canada (FCAC)	<ul style="list-style-type: none"> <li>- FCAC website contains information and interactive tools on financial topics</li> <li>- Coordinates financial literacy strategy</li> <li>- Currently building a database signposting to all available online resources</li> </ul>	<ul style="list-style-type: none"> <li>- Provided by the voluntary sector, and funded mainly by the financial industry with some government grants</li> <li>- Many voluntary sector organisations charge a small fee, which may be waived if necessary</li> </ul>	<ul style="list-style-type: none"> <li>- Funded by the Canadian government</li> <li>- Independent body, act as a regulator for consumer protection issues</li> <li>- Reports to the Minister of Finance</li> <li>- Annual report to Parliament</li> </ul>
Canada - Quebec	AMF Quebec	<ul style="list-style-type: none"> <li>- Undertakes research, runs a regular financial awareness index</li> <li>- AMF website contains information and interactive tools</li> <li>- Raises consumer awareness and instigates education projects</li> <li>- Partnered with schools to deliver financial education</li> </ul>	<ul style="list-style-type: none"> <li>- Provided by the voluntary sector, part-funded by the Government of Quebec</li> </ul>	<ul style="list-style-type: none"> <li>- Financed mainly from fines and penalties collected by the regulator AMF</li> </ul>
Australia	ASIC - MoneySmart	<ul style="list-style-type: none"> <li>- MoneySmart website with interactive tools and information on financial topics</li> <li>- Develops and coordinates targeted financial guidance</li> <li>- Runs a hotline directing people to suitable organisations</li> <li>- Developing a</li> </ul>	<ul style="list-style-type: none"> <li>- The Commonwealth Financial Counselling Program deliver financial guidance through the voluntary sector and local government organisations</li> <li>- State government also provides some funding for the voluntary sector</li> </ul>	<ul style="list-style-type: none"> <li>- Funded by ASIC, Australia's main regulator</li> <li>- Part of ASIC's consumer education strategy, report to ASIC's board, and ultimately to the Treasurer of Australia</li> </ul>

Country	Financial Capability Body	Financial Education Delivery Method	Targeted Financial Guidance Services	Funding and Accountability Framework
		financial education curriculum and training teachers		
New Zealand	Commission for Financial Capability (CFFC)	<ul style="list-style-type: none"> <li>- "Sorted" website with interactive tools and information on financial topics</li> <li>- Developing a financial education curriculum and training teachers</li> <li>- Has a focus on retirement, with responsibility for retirement income monitoring</li> <li>- Delivers seminars and workshops to communities and workplaces</li> </ul>	- NZFFBS (New Zealand Federation of Family Budgeting Services) is the main charity responsible for delivering targeted guidance. They are part-funded by CFFC, government departments and the financial industry	<ul style="list-style-type: none"> <li>- Funded by the New Zealand Government</li> <li>- Independent body, reports to the Retirement Commissioner, and ultimately the Minister of Commerce</li> </ul>
Spain	CNMV in collaboration with Banco de Espana	<ul style="list-style-type: none"> <li>- Finanzas Para Todos ("Finance for all") website with information and interactive tools</li> <li>- Coordinating and developing the National Financial Education Plan</li> <li>- Developing a financial education curriculum and training teachers</li> </ul>	- Not provided by CNMV or Banco de Espana	- Joint funding model between Banco de Espana and the regulator CNMV
Netherlands	Ministry of Finance, Ministry of Education and Ministry	- Money Wise (Wijzer in geldzaken): 5year national strategy launched 2014	- Multi-stakeholder platform approach to strategic delivery: 40 partners from Dutch government, financial	- Donors contribute to the platform and its annual partner programme

Country	Financial Capability Body	Financial Education Delivery Method	Targeted Financial Guidance Services	Funding and Accountability Framework
	of Social Affairs	<ul style="list-style-type: none"> <li>- Programme focus on money management, financial planning and choosing financial products</li> <li>-Targeted at general public, parents, workers, students and adolescents</li> </ul>	sector, academia, educational organisations, information services and consumer organisations	



### **HM Treasury contacts**

This document can be downloaded from  
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