

# **Review of the Money Advice Service:**

call for evidence

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# Foreword

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The government has asked me to undertake an independent review of the Money Advice Service (MAS). The purpose of the review as set out in the terms of reference is to consider the role played by MAS in meeting changing consumer needs for information, education and advice on financial matters and to make recommendations to improve the efficiency and effectiveness of current arrangements.

I consider now to be an appropriate time to be undertaking this review for a number of reasons. MAS has been in existence for 4 years and lessons can be learned from how it has performed to-date. There has been considerable public interest and debate around the service, including reports by the Treasury Select Committee<sup>1</sup> and National Audit Office.<sup>2</sup> My review will be informed by but not seek to replicate these investigations.

Consumer needs are developing in response to a number of factors: changes in the macroeconomic environment, social and demographic changes, government policy developments (such as the recent Budget pensions package), and the evolution of the financial services marketplace.

The regulatory framework for financial services has continued to evolve alongside the establishment of MAS; the Financial Conduct Authority (FCA) now has an overarching strategic objective to make markets function well and an operational objective to promote effective competition. How the demand side of the retail market works, and how consumers' behave, is relevant to the FCA in terms of making markets work and promoting effective competition.

The landscape for information, advice and guidance on financial services has also changed, as third sector bodies develop their roles and as commercial intermediaries offering web based information, product comparisons and click through services grow their markets.

Technological innovation has the potential to bring further disruptive changes to the provision of generic financial advice, with new digital tools providing the opportunity to reach and engage consumers in cost effective and convenient ways, and existing digital channels such as webchat finding further take-up through mobile devices.

MAS itself has evolved significantly since it was established – in part in response to these challenges, for example working to update its mobile offering and seeking to support claimants of Universal Credit. It has also sought to respond to earlier criticism over lack of effective engagement with stakeholders by adopting a more collaborative approach.

The government has decided that its commitment to hold a “medium term” review of MAS during the current Parliament would most effectively be undertaken by an independent reviewer. The review will also be in line with the government's policy of reviewing arm's length policy on a regular basis to ensure that these bodies are delivering their statutory objectives and that they continue to be fit for the purpose for which they were created.

Given this dynamic context, it is timely to review the extent to which MAS is meeting – and has the focus that allows it to meet – changing needs, and to produce recommendations as

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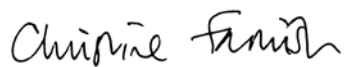
<sup>1</sup> <http://www.parliament.uk/business/committees/committees-a-z/commons-select/treasury-committee/inquiries1/parliament-2010/money-advice-service/>

<sup>2</sup> <http://www.nao.org.uk/report/helping-consumers-to-manage-their-money/>

appropriate. The developments outlined above will all inform the review's work, as will responses to this call for evidence, discussions with MAS and with interested stakeholders, and other relevant information.

I welcome evidence on these issues and views on the role that MAS should play in the future. I look forward to hearing from a wide a range of interested stakeholders. I am particularly interested in responses and evidence from other organisations active in the wider financial guidance, advice and education market and from the financial services industry. In addition to evidence from written responses, I aim to meet with as many stakeholders as possible. I will also be establishing a small consultative panel of experts to help test the review's conclusions – the membership of this panel will be listed on the review website in due course.

Following consideration of all the evidence, I will report my findings and recommendations to Treasury ministers in December.

A handwritten signature in black ink that reads "Christine Farnish". The signature is written in a cursive, flowing style.

Christine Farnish CBE



# 1

# Introduction

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## Background

**1.1** Whilst informal provision of consumer information and advice by charities, financial firms and others is well established, the statutory provision of ‘consumer education’ on financial matters is a newer concept. Financial education was first put on a statutory footing in 2000 when the new Financial Services Authority (FSA) was tasked with promoting public awareness and understanding of the financial system. This occurred in the wake of a series of misselling scandals and the primary policy intent was to help ensure that consumers could make better informed decisions. Over the years that followed the FSA developed its approach and launched a number of initiatives under the ‘MoneyMadeClear’ branding.

**1.2** In 2007 the government commissioned Otto Thoresen to review how best to build on the FSA’s work and deliver a national programme of generic financial advice. The government accepted the Thoresen review recommendations, including the recommendation to test the service through a large-scale pathfinder. Following the pathfinder, the government legislated under the Financial Services Act 2010 to establish the Consumer Finance Education Body (now known as MAS) as an independent body at arm’s length from the FSA. The FSA’s objectives were amended to remove their responsibility for financial education.

**1.3** Over the years, different terminologies with overlapping meanings have been used to describe activities akin to the statutory remit of MAS. In this call for evidence, I use “consumer financial education” to describe MAS’s initial statutory remit – in paragraphs 1.4 and 1.5 below and debt advice to describe the additional remit in paragraph 1.6. In using this shorthand, I intend a very broad definition of “consumer financial education” – equipping individuals to manage their own financial affairs and enabling them to get a good deal from the financial services marketplace.

## MAS’s statutory framework and funding

**1.4** The statutory remit for MAS is very broad. The 2010 Act requires the Consumer Finance Education Body (now known as MAS) to work 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.

**1.5** The legislation states that the consumer financial education function particularly includes:

- 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.

**1.6** MAS's remit was broadened further when the Financial Services Act 2012 transferred responsibility for debt advice from BIS to MAS, adding the following objectives to MAS's statutory remit:

- assisting members of the public with the management of debt;
- 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;
  - consistency in the services available, in the way in which they are provided and in the advice given.

**1.7** The legal framework states that MAS is independent in carrying out its statutory function – and has its own board – but the FSA (now FCA) must take the steps necessary to ensure that MAS is capable of exercising its function. Specific FSA 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 (the Treasury is also consulted);
- receiving an annual report in relation to the discharge of the MAS statutory responsibilities;
- the FCA may appoint an independent person to conduct a review of the economy, efficiency and effectiveness of MAS's use of resources (the Treasury must be consulted on this).

**1.8** The FCA established an oversight committee in 2012, chaired by the FCA Chair to exercise its responsibilities. The committee meets twice yearly in addition to more informal contacts.

**1.9** MAS is funded exclusively by industry levy from FSMA authorised firms, payments service providers and electronic money issuers. The levy is collected, and consulted annually over, by the FCA. MAS has consulted industry over the formula for allocating levy funding; reflecting the 2 major roles of MAS – providing consumer financial education and channelling funding for debt advice – the levy for each role is apportioned separately. The MAS budget for 2014-15 is £81.1 million, split between £43 million on consumer financial education and £38.1 million on debt advice.

# 2

## Consumer needs

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**2.1** My starting point is that there remains a clear need to promote public understanding about financial matters and empower consumers through higher levels of financial capability. The financial services market is complex and poor decisions by consumers can cause considerable and lasting detriment. Research and surveys have consistently shown that too many people in the UK lack the knowledge and expertise necessary to make appropriately informed decisions about their finances.<sup>1</sup> In addition, there remains the persistent problem of individuals bearing more debt than they can manage.

**2.2** I welcome evidence about the nature and scale of consumers' need for information, education and advice and how these needs have developed since MAS was first proposed.

### **Box 2.A: Questions 1 to 4**

1. In what areas do consumers' awareness and understanding of financial matters most need to be enhanced? Where is detriment most prevalent and most material?
2. What evidence is there for how consumer capabilities have changed – and what has led to this change?
3. What evidence is there for how the need for debt advice has changed – and what has led to this change?
4. What potential is there for the gap in consumer capabilities to be addressed through industry doing more – for example, by reducing complexity and helping make its products more understandable? How does this compare to the potential for reducing the gap in consumer capabilities through education and advice?

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<sup>1</sup> For example, the MAS report on the financial capability of the UK found that half of UK adults struggled to keep up with their bills and credit commitments, compared to a third in 2006.



# 3

## Supply of financial education and advice

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**3.1** The wider landscape for the provision of consumer financial education and debt advice has evolved significantly over the past 10-15 years. Providers include the retail financial services industry itself, commercial intermediaries, the media, and not for profit bodies ranging from small local to large national organisations. Much guidance and advice is funded by the financial services industry either directly as part of its everyday dealings with customers, or on a commercial or voluntary basis to third parties. One significant development is that financial education will now form part of the National Curriculum for maintained English secondary schools from September 2014.

**3.2** The review will seek to understand how this landscape is evolving and the role played by MAS in it. I welcome evidence from all participants on how they see the markets for consumer financial education and debt advice, how these markets could evolve over time, and the role MAS could most effectively play in these markets.

### **Box 3.A: Questions 5 and 6**

5. How has the provision of consumer financial education developed over the past 5-10 years? What are the opportunities for the future?
  - How important is the role of commercial and/or not for profit web-based, phone and face-to-face intermediaries now and how might this change in the future?
  - What potential does digital technology and social media have to drive further behavioural change?
  - What role does and should the financial services industry itself play in the delivery of financial education, guidance and advice?
6. How well does the market for debt advice work– and what opportunities are there to improve how it operates?



# 4

## MAS strategy and priorities

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**4.1** MAS has been set very broad statutory objectives by Parliament – which allow and require MAS to exercise a considerable amount of interpretation and prioritisation. Given a limited budget, MAS must by necessity focus and prioritise its work.

**4.2** MAS has chosen to interpret its statutory objectives to mean it should focus on:

- ensuring people are financially resilient and able to cope with life's financial ups and downs; and
- for those who fall into crisis debt, increasing access to and availability of high quality debt advice that is of a consistent high standard.

**4.3** In its 2014-15 business plan, MAS describes its 3 roles to achieve these core goals:

- providing direct money advice for customers across the UK, through its website, telephone and face-to-face service, and through partners to give people information they want about money and help them manage their money better;
- coordinating debt advice through funding partners across the UK and being a leader in the sector to improve the quality, consistency and availability of debt advice; and
- influencing the wider sector to improve people's financial capability.

**4.4** MAS has set out a number of money management outcomes for its customers:

- budgeting to live within means – MAS considers this element to underpin all the others
- managing debt well
- saving regularly
- being prepared for later life and saving for retirement
- protecting against the unknown – protecting assets and dependents

**4.5** In its 2013-14 business plan, MAS identified 10.2 million people who were not fulfilling these outcomes. They were mostly young couples and singles, and low to middle income families. MAS considers these groups to be a key target for its service. More details about its customer segmentation are may be found in Annex C. MAS also targets people going through major life events, for example having a baby or facing bereavement and also people facing significant financial decision like buying a home.

**4.6** The challenge for MAS is be both a generalist money advice body which seeks to up-skill a large section of the UK population over time on matters such as general family budgeting, and an organisation that is more responsive and reactive to current issues – either macroeconomic (e.g. a prospective interest rate rise) or developments in the financial services market that may give rise to detriment.

**4.7** The role of MAS in providing education in schools, including the training of teachers, is subject to particular debate. Currently, MAS does not provide direct education in schools as other organisations are active in this area but does provide materials for parents, school leavers, and practitioners working with young people, where it considers there to be more of a gap in the market.

**4.8** I welcome evidence and views on how MAS interprets its statutory remit and how it prioritises, including where it focuses its limited resources. Following the pension reforms announced at Budget, the review will also consider whether any appropriate refinements should be made to the approach and focus of MAS after the government has published the response to its consultation on the guidance guarantee.<sup>1</sup>

**4.9** MAS originally developed its strategy in largely an independent way, undertaking its own research and analysis, drawing its own conclusions and then consulting on its proposed approach. MAS has recently sought to be more consultative, involving stakeholders at an earlier stage.

**4.10** The FCA has responsibility for signing off the MAS annual business plan and budget. With the FCA's new statutory remit to make markets work better, there may be further opportunities for closer strategic coordination between the 2 organisations, for example in ensuring that areas of potential consumer detriment identified by MAS and the FCA feed rapidly into each other's work plans.

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<sup>1</sup> The government has stated that it intends to respond to the consultation by the summer recess.



#### Box 4.A: Questions 7 to 11

7. Do you think that the strategy set by MAS for interpreting its legislative remit remains appropriate? What improvements could be made? For example:
  - What priority consumer outcomes do you think MAS should focus on?
  - Do you agree with MAS's assessment of its target market? If not, what should it be and should MAS be more or less targeted in the groups it focuses on and how it does so?
  - How should the work of MAS fit with that of paid-for independent financial advice and the consumer advice and support services provided by organisations such as Citizens Advice?
8. What should MAS's balance be between focusing on achieving broad consumer outcomes and focusing on outcomes more specifically linked to current issues faced by mass market consumers such as affording a mortgage with prospective interest rate rises?
9. What role should MAS play in supporting the provision of education in schools? Do you agree that MAS should limit (as now) the role it plays in or should it divert resources to this area?
10. What are, and will be, the needs of consumers in the retirement / decumulation phase of their lives, especially given the changing nature of retirement itself and the evolving retirement income market? What role should MAS play in supporting consumers to meet these needs?
11. To what extent should the FCA's new statutory remit affect the relationship between the FCA and MAS?



# 5

## How MAS delivers

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**5.1** MAS has opted to deliver against its consumer financial education remit by primarily being a direct-to-consumer provider. It has invested £54.5 million since establishment on developing a web based platform and raising public awareness of its services. The content for the website is developed in-house by MAS. 98.7% of its interaction with customers is via the MAS website rather than other channels, such as webchat, telephone helpline and face-to-face advice services. Actual usage numbers for the different channels in 2013-14 were 16.305 million online contacts, 102,000 face-to-face contacts, 75,000 telephone contacts and 30,000 webchats. MAS doesn't separate out repeat visits in calculating its online contacts, so the number of individuals using the website is likely to be lower.

**5.2** Reflecting its "digital first" approach, MAS has invested significantly in its website, in particular the provision of online content and tools. An acknowledged need for development is to make the website more user friendly for consumers accessing it via mobile devices such as phones or tablets; MAS is working to do this and has launched a new platform for mobile devices.

**5.3** MAS invests heavily in customer communications and marketing to support its consumer financial education remit. MAS's stated aim for its communications is to raise awareness of MAS services and of the need to engage with money and help consumers to take action, and to disseminate specific pieces of advice, for example save £3 a day to avoid unexpected cost.

**5.4** MAS also supplies content and tools to around 100 partner organisations for incorporation in their websites and dissemination to their own customers – and considers this to be a key way to deliver consumer financial education.

**5.5** MAS also provides strategic coordination, research and intelligence services to the not-for-profit financial education and advice sector as a whole, for publishing research on the financial capability of the UK. MAS is currently developing, in partnership with others, a financial capability strategy for the UK, with the first iteration to be published for consultation this summer.

**5.6** For its debt advice remit, MAS follows a different model and provides grant funding to third party "lead organisations" to support their provision of primarily face-to-face advice and guidance directly to the public under their own brands. MAS acts as strategic commissioner, looking to raising standards and drive efficiencies. The current 6 lead organisations are Citizens Advice, Talking Money (was Bristol Debt Advice Centre), Capitalise London, Community Finance Solutions, East Midlands Money Advice and Greater Merseyside Money Advice Project. For 2014-15, MAS has agreed to grant funding of up to £34.2 million across the UK to partner organisations for the provision of face-to-face debt advice. An additional £1.4 million is allocated to support specialist advice for the debt advisers, and there is a further £2.6 million to implement changes to enhance quality and consistency of delivery.

**5.7** From 2014-15 MAS will introduce 3 year funding agreements for providers in England and Wales. MAS sees this as a key way to improve access, consistency and availability of debt advice. The agreements include locating services in the area of greatest need to reach all over indebted client groups, promoting access to telephone and digital debt advice, as well as working to accredited quality standards and evaluation criteria.

**5.8** MAS also seeks to play a broader role in reducing levels of over-indebtedness – encouraging better coordination and cooperation between funders of debt advice, raising quality, increasing awareness of debt advice amongst the most needy groups, and working with creditors to promote intervention before consumers get into financial difficulties. MAS requires the debt advice programmes it funds to embed financial capability training, in order to reduce individuals' need for the service in the future.

**5.9** MAS aims to work closely with the UK's devolved nations to address their specific financial capability needs aligned to their individual strategies.

**Box 5.A: Questions 12 to 14**

12. How effective is MAS's model of directly providing consumer financial education to meet its objectives? What is your view on alternative approaches raised as part of the public debate – for example, white labelling consumer content for others, working more through third parties, adopting an accreditation model to promote higher sector-wide standards, or setting aside funds for others to bid for?
13. How effective is MAS's operating model for the delivery of debt advice? Could it be improved further and if so, how?
14. How effective is MAS in engaging with stakeholders in the money and debt advice sectors? Are there ways in which this could be improved and if so, what are they?

# 6

## MAS efficiency and effectiveness

6.1 The NAO recently undertook a value for money study of MAS, concluding that MAS was demonstrating value for money in its debt advice role, where it has sought to reduce the cost of advice and has introduced a quality framework, but has further to go in achieving this in the provision of consumer financial education. The NAO's recommendations included greater targeting of the advice at those most in need and achieving a sufficiently up-to-date web experience.

6.2 More broadly, public debate around MAS has focused around the marketing spend. Other issues of public debate have included the need to demonstrate effectiveness and how to work closely with the wider sector, including effective hand-off to financial advisers. There have also been discussions around MAS's internal costs.

### MAS budget

6.3 MAS has separate budgets for consumer financial education and debt advice. This reflects the way MAS is funded by 2 FCA levy streams; FCA rules mean money cannot be transferred between the 2 functions and surpluses must be returned to industry.

6.4 For 2014-15, MAS has a budget of £81.1 million, with £43 million allocated to money guidance and £38.1 million to debt advice.

Table 6.A: MAS budget and staffing levels 2010-2015

Year	Budget (£m)			Staffing (FTE)
	Money guidance	Debt advice	Total	
2014-15	43	38.1	81.1	130
2013-14	43	34.5	77.5	97.7
2012-13	46.3	34.5	80.8	76.1
2011-12	43.7	0	43.7	125.9
2010-11	32.9	0	32.9	140 (excludes debt advice)

Source: MAS

6.5 MAS spends its budget very differently on debt advice and consumer financial education, largely reflecting the history of the 2 functions. Consistent with its grant funding model for debt advice, MAS passes 90% of its debt advice budget through to partner organisations to spend on primarily face-to-face advice. MAS's decision to be a direct-to-consumer provider for consumer financial education, together with its remit to target a broader audience, has meant much more diverse use of its consumer financial education budget; with 46% allocated to frontline delivery and 10% on its wider coordination role. MAS has made significant investment in marketing and customer communications over the past 3 years as it has sought to reach consumers and encourage them to take action to manage their money. This budget has now been reduced somewhat but still accounts for 30% of MAS's budget for consumer financial education. A summary of the MAS budget for 2014-15 can be found at Annex D.

**6.6** MAS monitors the cost per usage of its delivery channels for consumer financial education and the review will consider this. The broader austerity measures within the public sector must give achieving value for money an added priority. I welcome evidence and views on how MAS allocates and spends its money to best effect.

## Measuring MAS performance

**6.7** A particular challenge in the delivery of guidance and advice is demonstrating its impact. At a high level, MAS measures key performance indicators (KPIs), based upon service metrics and survey data. These can be found at Annex E.

**6.8** The KPIs seek to cover whether MAS is giving customers the help they require and whether customers have taken action because of MAS. In its 2014-15 business plan, MAS set out the types of actions it expects to drive through its consumer financial education, against broad outcomes of financial capability (managing debt well, keeping track, protecting against the unknown, being prepared for later life and saving regularly). In the plan, MAS says it will develop a quarterly survey to follow up customer actions and a broad framework to track what customers do over time.

**6.9** The KPIs also set out success measures for debt advice, including positive actions taken as a result of debt advice sessions.

**6.10** MAS also measures a number of inputs (how many contacts the service has), together with exit polls of customer satisfaction. MAS is also looking to develop KPIs on its coordination and leadership roles across consumer financial education and debt advice.

**6.11** Although it is not a KPI for 2014-15, MAS also tracks whether the wider UK population and the MAS customer base are meeting the financial capability outcomes mentioned in paragraph 6.8 through the UK Financial Capability Tracker.

**6.12** The MAS board monitors the metrics on a monthly basis, and receives a more detailed breakdown through a monthly dashboard.

**6.13** I welcome views on how MAS measures its performance, including the balance between input, output and outcome metrics, and the outcome measures themselves.

### Box 6.A: Questions 15 to 19

15. Is the current £81.1 million annual budget for MAS appropriate, given the remit of the organisation and its objectives? If not, should it be more or less and how should it be allocated? What is your judgement on where to draw the line?
16. Are there any lessons from things MAS or other organisations do particularly well, that could be applied to one or more of MAS's functions?
17. How should MAS be measuring its efficiency? For example what benchmarks should MAS be using to determine its efficiency in its online, phone calls and face-to-face delivery?
18. What sort of people skills and experience do you think MAS needs over the coming period, in order to be effective?
19. Is the way MAS measures its performance optimal? If not, how can MAS best measure its impact and value for money?

# 7

## Accountability and legitimacy

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**7.1** It is important that any body operating in the public interest, to a remit set by Parliament, funded by a levy on industry, is properly held to account for what it does and how it does it. Being fully accountable for its actions helps strengthen an organisation's legitimacy and its licence to operate.

**7.2** MAS is accountable to the FCA, with FCA powers to agree MAS's annual budget and business plan. The FCA has taken steps to strengthen its oversight, for example establishing an oversight board that meets twice yearly. There are limits, however, to the extent that the FCA can and should exercise supervisory oversight of MAS through this mechanism as MAS has been established as an independent public body with its own board and governance.

**7.3** The funding for MAS is currently provided entirely by the financial services industry by means of compulsory levies. The FCA distributes costs according to a broad "beneficiaries pay" principle, with criteria weighted so that firms contributing to, and benefitting the most, from MAS's work pay the most. The financial services industry has been consulted over the current levy formula – and firms are consulted annually by the FCA over the levy and by MAS on its business plan.

**7.4** As a body exercising powers in the public interest and delivering, directly or indirectly, services to the public, MAS should also to be accountable to the public. The usual ways of achieving this directly are through openness, transparency, consultation and engagement. MAS has promoted its services through consumer communications, consultations on its annual business plan and other initiatives like a new financial adviser directory, publishing its quarterly performance data and its annual report, and undertaking user testing of content and tools in development with members of the public.

**7.5** MAS is also accountable to the public through Parliament. MAS's Chief Executive is an Accounting Officer of an arm's length body and the National Audit Office supports Parliament in its scrutiny through audit of its accounts and value for money reviews. Parliamentary Select Committees may, and do, hold the organisation to account, most recently through a Treasury Select Committee inquiry.

**7.6** I welcome views on whether and how accountability arrangements for MAS should be strengthened.

**7.7** MAS's focus to date on the very wide concept of how people manage their money leads them into work on issues of public policy, such as the welfare system or the tax system, which are important in people's everyday lives and which are complex and often poorly understood. Work currently undertaken by MAS in this area might be seen as part of enhancing the ability of members of the public to manage their own financial affairs and thus falling within MAS's statutory remit. MAS could also be viewed as a useful vehicle for promoting public understanding of policy changes such as the introduction of universal credit. However, there is a question as to how much work of this nature MAS should do, especially as MAS has no taxpayer funding for its current work.

**Box 7.A: Questions 20 to 22**

20. Are the current accountability arrangements for MAS appropriate? If not, in what ways should it be strengthened?
21. To what extent, if at all, should MAS devote resources to public policy issues such as the tax and benefits system?
22. Do you have any further evidence on issues in relation to MAS, not covered in your responses to the questions above, that you would like the review team to consider?



# 8

## Responding to this call for evidence

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**8.1** Please can respondents email [MASreview@hmtreasury.gsi.gov.uk](mailto:MASreview@hmtreasury.gsi.gov.uk). Alternatively, they can write to the team at:

**Independent Money Advice Service Review**  
1 Horse Guards Road  
London  
SW1A 2HQ

**8.2** The call for evidence closes on **Tuesday 2 September**.

**8.3** We welcome respondents' evidence on all or any of the issues covered in this call for evidence and indeed wider issues if respondents consider these important. All responses will be acknowledged but it will not be possible to give individual responses.

**8.4** When responding please say if you are a business, private individual or representative body. In the case of representative bodies please provide information on the number and nature of people or businesses you represent.

### Privacy of information

**8.5** This consultation forms part of a publication exercise. As such, your response may be subject to publication or disclosure 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. We plan to post responses on the review website.

**8.6** If you do not want part or whole of your response or name to be made public please state this clearly in the response, explaining 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 cannot be regarded as a formal request for confidentiality.



# A Questions

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1. In what areas do consumers' awareness and understanding of financial matters most need to be enhanced? Where is detriment most prevalent and most material?
2. What evidence is there for how consumer capabilities have changed – and what has led to this change?
3. What evidence is there for how the need for debt advice has changed – and what has led to this change?
4. What potential is there for the gap in consumer capabilities to be addressed through industry doing more – for example, by reducing complexity and helping make its products more understandable? How does this compare to the potential for reducing the gap in consumer capabilities through education and advice?
5. How has the provision of consumer financial education developed over the past 5-10 years? What are the opportunities for the future?
  - How important is the role of commercial and/or not for profit web-based, phone and face-to-face intermediaries now and how might this change in the future?
  - What potential does digital technology and social media have to drive further behavioural change?
  - What role does and should the financial services industry itself play in the delivery of financial education, guidance and advice?
6. How well does the market for debt advice work– and what opportunities are there to improve how it operates?
7. Do you think that the strategy set by MAS for interpreting its legislative remit remains appropriate? What improvements could be made? For example:
  - What priority consumer outcomes do you think MAS should focus on?
  - Do you agree with MAS's assessment of its target market? If not, what should it be and should MAS be more or less targeted in the groups it focuses on and how it does so?
  - How should the work of MAS fit with that of paid-for independent financial advice and the consumer advice and support services provided by organisations such as Citizens Advice?
8. What should MAS's balance be between focusing on achieving broad consumer outcomes and focusing on outcomes more specifically linked to current issues faced by mass market consumers such as affording a mortgage with prospective interest rate rises?
9. What role should MAS play in supporting the provision of education in schools? Do you agree that MAS should limit (as now) the role it plays in or should it divert resources to this area?

10. What are, and will be, the needs of consumers in the retirement / decumulation phase of their lives, especially given the changing nature of retirement itself and the evolving retirement income market? What role should MAS play in supporting consumers to meet these needs?
11. To what extent should the FCA's new statutory remit affect the relationship between the FCA and MAS?
12. How effective is MAS's model of directly providing consumer financial education to meet its objectives? What is your view on alternative approaches raised as part of the public debate – for example, white labelling consumer content for others, working more through third parties, adopting an accreditation model to promote higher sector-wide standards, or setting aside funds for others to bid for?
13. How effective is MAS's operating model for the delivery of debt advice? Could it be improved further and if so, how?
14. How effective is MAS in engaging with stakeholders in the money and debt advice sectors? Are there ways in which this could be improved and if so, what are they?
15. Is the current £81.1 million annual budget for MAS appropriate, given the remit of the organisation and its objectives? If not, should it be more or less and how should it be allocated? What is your judgement on where to draw the line?
16. Are there any lessons from things MAS or other organisations do particularly well, that could be applied to one or more of MAS's functions?
17. How should MAS be measuring its efficiency? For example, what benchmarks should MAS be using to determine its efficiency in its online, phone calls and face-to-face delivery?
18. What sort of people skills and experience do you think MAS needs over the coming period, in order to be effective?
19. Is the way MAS measures its performance optimal? If not, how can MAS best measure its impact and value for money?
20. Are the current accountability arrangements for MAS appropriate? If not, in what ways should it be strengthened?
21. To what extent, if at all, should MAS devote resources to public policy issues such as the tax and benefits system?
22. Do you have any further evidence on issues in relation to MAS, not covered in your responses to the questions above, that you would like the review team to consider?

# B

## Review terms of reference

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**B.1** The Money Advice Service has a very important job to do: giving consumers the help they need to manage their money well. There are many social and economic benefits of free, impartial consumer advice and education on financial matters: informed and empowered consumers are more independent and resilient, and they are vital to ensuring well-functioning and competitive retail financial markets. The financial services industry benefits too, and must continue to pay its fair share.

**B.2** The government wants to make sure that this important job is being done as effectively as possible, particularly in light of regulatory, policy, technological, market and other developments in recent years. The government believes that now is the right time for an independent review of how MAS is delivering its functions and has asked Christine Farnish to lead this review.

**B.3** This review delivers on the government's commitment to review MAS before the end of this Parliament, as part of the government's policy that arm's length bodies are subject to regular review. The review will report to the Economic Secretary to the Treasury by the end of 2014. The review will principally make recommendations relevant to MAS, but may also make recommendations relevant to its delivery partners, the FCA, government, and other bodies associated with MAS.

**B.4** The review is tasked with:

- 1 making an assessment of the need for consumer education and advice, including debt advice, and the role that MAS should play in the wider consumer education and advice landscape to most effectively and efficiently ensure this need is met. This assessment should take into account the government's recent commitment, announced at the Budget, to require pension providers and trust-based schemes to offer everyone approaching retirement free and impartial face-to-face guidance on their available choices, and to consider how continuing access to support can be provided to help them make financial decisions later in their retirement;
- 2 assessing how effectively and efficiently MAS is meeting this need through its current approach and delivery models; and
- 3 recommending any changes to MAS's approach and delivery models that would enable it to better meet this need.

**B.5** In tackling these issues, the government would like the review to consider:

- the optimal mix between information, advice and education, including financial education in schools;
- the most appropriate channel mix, in order to meet the needs of different consumers;
- the right balance between direct delivery and a commissioning role with delivery through partners;
- the long-term strategy for debt advice delivery;

- the interaction between MAS's money and debt advice functions;
- how MAS can provide strategic coordination across the sector, working with other providers; and
- measurement of success, in particular striking the right balance between impact and reach.

**B.6** In reaching its conclusions the review should take into account the National Audit Office's (NAO) findings – set out in its recent report *Money Advice Service: Helping consumers to manage their money* – and the extent to which MAS has made progress against the NAO's recommendations.



## MAS customers

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**C.1** For its 2013-14 business plan MAS undertook research to identify people in the UK who would benefit from generic money advice. MAS used Experian data to identify a target audience of 10.2 million people – these were people meeting 4 or less of the 5 outcome indicators of financial capability MAS identified (saving regularly, managing debt well, protecting dependents, protecting assets and preparing for retirement).

**C.2** The 2013-14 business plan breaks the 10.2 million group into 8 categories:

**C.3** Young couples and singles

- “Singles and couples setting up home in affordable properties” Likely to be 26 to 35, mostly working, a quarter are unmarried couples living together.
- “Young singles starting work in jobs with limited opportunities” Very low salaries, all under 25 years old, high unemployment, and those in employment will be in clerical, sales or service roles).

**C.4** Low to middle income families

- “Families, average incomes with heavy financial commitments” Aged 36 to 44 with high levels of employment (mostly managerial or clerical).
- “Families, older children, stretched themselves” Aged 36 to 45, working in clerical or unskilled work with low salaries and likely to have children.
- “Families, limited incomes striving to manage, financial commitments often outweigh resources” Aged 26 to 35, High unemployment, with workers mainly in semi-skilled or unskilled work. Low incomes and likely to live in council accommodation.
- “Middle income families, supporting older children, less capacity to save” Aged 46 to 55, over indexing on part time workers, likely to live with wider families and owns their own home, albeit with a mortgage.
- “Older families who used salaries sensibly to pay down mortgage” Aged 46 to 55, over indexing on part time workers, and owns their own home.
- “Middle aged homeowners, achieved security through purchasing affordable homes” Aged 46 to 55, mostly employed, mainly in clerical, sales and service roles, but some are in management. Less likely to have children.





# D

## MAS budget 2014-15

**Table D.1: MAS money guidance budget 2014-15**

<b>Expenditure</b>	<b>Budget 2014-15(£000's)</b>	<b>Proportion of money guidance budget</b>
<b>Frontline delivery</b>	<b>19,749</b>	<b>46%</b>
Face-to-face	7,951	18%
Telephone and webchat	1,299	3%
Printed guides	1,056	2%
Website	5,708	14%
Website tools & products	1,795	4%
Delivery of advice through partner websites and developing specialist products for partners	1,940	5%
<b>"Enablers"</b> – developed of the UK strategy and MAS strategy; consumer insight and research, corporate communications and PR	<b>4,218</b>	<b>10%</b>
<b>Customer engagement / marketing</b>	<b>13,246</b>	<b>30%</b>
<b>Other</b> – support services and board / executive leadership team	<b>5,803</b>	<b>14%</b>
<b>Total</b>	<b>43,016</b>	<b>100%</b>

*Source: MAS*

**Table D.2: MAS debt advice budget 2014-15**

<b>Expenditure</b>	<b>Budget 2014-15(£000's)</b>	<b>Proportion of debt advice budget</b>
<b>Frontline delivery</b> – face-to-face	<b>34,153</b>	<b>90%</b>
<b>Second tier support</b> – support of specialist advice to third sector debt advisers	<b>1,361</b>	<b>4%</b>
<b>Coordination</b> – enabling delivery partners to implement any changes to comply with new standards	<b>1,778</b>	<b>4%</b>
<b>Policy and research</b>	<b>344</b>	<b>1%</b>
<b>Support services</b>	<b>438</b>	<b>1%</b>
<b>Total</b>	<b>38,075</b>	

*Source: MAS*



# E

## MAS key performance indicators

**Table E.1: MAS key performance indicators (KPI)**

Key performance indicator	2013-14 performance	2014-15 target
Total customer contacts	16.5m	16m
Number of times MAS has given customers the help they required	n/a	6m
Number of actions taken as a result of the service	n/a	4.5m
% of customers who agree they have been provided with the information they require	85%	82%
% of customers who agree MAS has helped them decide on a course of action	73%	70%
% of customers who agree that they will revisit MAS	92%	88%
% who would recommend MAS	90%	85%
Number of face-to-face debt sessions delivered	175,000	87,500 [6 month target]
Number of actions taken as a result of debt advice sessions	new	87,500 [6 month target]
Number of clients supported by debt advice that meets MAS quality, consistency and availability standards	new	Quantitative measure to be determined
Providing leadership in the area of financial capability and improving the quality, consistency and availability of debt advice	new	Annual stakeholder survey to be used to establish baseline
Performance on 5 key outcomes (saving regularly, saving for retirement, providing for your dependants, protecting your assets, managing debt well)	653,000 positive actions	No longer a KPI – but will track. MAS seeking to focus on actions and impact.
Regularly reviewing your money	289, 000 Budget Planner completed	No longer a KPI – but will track. MAS seeking to focus on actions and impact

Source: MAS





## **HM Treasury contacts**

This document can be downloaded from  
[www.gov.uk](http://www.gov.uk)

If you require this information in an alternative  
format or have general enquiries about  
HM Treasury and its work, contact:

Correspondence Team  
HM Treasury  
1 Horse Guards Road  
London  
SW1A 2HQ

Tel: 020 7270 5000

E-mail: [public.enquiries@hmtreasury.gsi.gov.uk](mailto:public.enquiries@hmtreasury.gsi.gov.uk)