

# **Review of the Money Advice Service**

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March 2015



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# Contents

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	Page
Foreword	3
Executive summary	5
Chapter 1      Background	11
Chapter 2      Debt advice: MAS's approach to date	21
Chapter 3      Strengthening debt advice co-ordination	23
Chapter 4      Consumer education, information and advice: MAS's approach to date	31
Chapter 5      Strengthening the model: helping consumers make better decisions	43
Chapter 6      Organisational issues	55
Chapter 7      Relationship with the 'regulatory family'	57
Chapter 8      Accountability and constitutional issues	61
Chapter 9      Conclusions	65
Annex A        Recommendations	67
Annex B        Terms of Reference	69
Annex C        Stakeholder Engagement	71
Annex D        Correspondence from Water and Energy Sectors	75
Annex E        Content Duplication Analysis	77
Annex F        Consumer Research	79
Annex G        MAS Website Visitors and Actions	81



# Foreword

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23 December 2014

Dear Andrea

In May you asked me to lead an Independent Review of the Money Advice Service - the Consumer Financial Education Body - looking in particular at how MAS discharges its remit and recommending any changes that would help improve its effectiveness. I am pleased to submit my report.

MAS has two important jobs to do: helping people who face problem debt get the help they need, and helping consumers understand financial services and make better decisions.

No-one I spoke to questioned the need to pursue these objectives. Stakeholders support MAS's coordination of debt advice and would like to see further developments. MAS's work on money advice continues to attract controversy however, despite some welcome recent developments.

This report sets out a blueprint for a stronger, more effective and better value MAS. I am hopeful that it will command broad support and enable MAS to move forward with greater confidence.

MAS is well placed to increase the supply of debt advice so more people can be helped in a cost effective way. The Debt Advice Strategy Group will bring together major creditors and debt advice charities and drive improvements in provision. I am delighted that the energy and water sectors have agreed to join the Group and contribute to the new arrangements. Over time MAS will be able to enhance the support it provides to consumers struggling with problem debt.

On financial capability we see MAS following a not dissimilar model – as facilitator and coordinator of work by others, and as provider or commissioner where there are gaps. MAS should step back from much of its website provision, where it duplicates good quality content available elsewhere. Instead MAS should step in to fill gaps, and work with intermediaries, product providers, consumer groups and the media to help consumers make better financial decisions.

MAS should do more to support financial education in schools. MAS is uniquely placed to coordinate the wide range of existing initiatives and strengthen their benefits to teachers and pupils.

In developing its role MAS should coordinate more closely with the FCA and help make markets work better for consumers in the unregulated information and generic advice sector. I also recommend that the accountability regime for MAS should be strengthened, and suggest some short term measures to help achieve this.

I would like to thank James Silverston, Vanessa Pobee and lately Siddharth Varma for their invaluable support. I am grateful for their work and the perspective they brought.

MAS has been through a difficult period and the recommendations in this report will require significant further change. I firmly believe however that consumers will be better served as a result.



Christine Farnish





# Executive summary

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## Background

The Consumer Financial Education Body – known as the Money Advice Service (MAS) – was set up by government in 2010 and tasked with promoting public awareness and understanding of financial services and enhancing consumers' ability to manage their financial affairs. In 2012, a new role supporting the provision of debt advice was added to its remit.

Since consumer financial education was first conceived the external environment has changed in a number of important ways. More is now known about how consumers behave in real life and how they use information, through the study of behavioural economics. The importance of simple consumer journeys and use of nudge techniques is widely recognised, especially in complex markets. Government used a nudge to secure more retirement saving through auto-enrolment.

There has also been a digital revolution. Today 83% of households have an internet connection and 61% of consumers have a smart phone. The majority of people use online search when they want to find out something. The market has responded to this with a wide range of offerings, and a diverse supply of information and advice on financial services is now available online.

A number of important policy changes have also taken place. The FCA has replaced the FSA, with a more focused remit to make markets work better. Financial education is now part of the school curriculum across the UK. Policy changes on pensions saving will soon enable consumers to decide what they do with defined contribution pension savings pots on retirement and government is establishing a free guidance service to help people make informed choices.

MAS is a statutory body with an independent Board and a broad and diffuse remit. The FCA is required to approve the MAS budget and business plan each year. MAS is entirely funded through levies on FCA regulated financial firms.

Recent inquiries by the Treasury Select Committee and the National Audit Office (NAO) have raised questions about the value for money and effectiveness of MAS's consumer finance education role (although the NAO found MAS's debt advice work provided value for money).

This Review has sought to build on this work. We have stepped back from MAS's day to day operations and looked at the financial services landscape from the consumer perspective. We have sought answers to the following questions: How have things changed for consumers? How effective is MAS's current approach? Could resources be used differently to drive better outcomes for consumers? If so, how?

We look in turn at MAS's two main roles: supporting and improving the provision of debt advice, and promoting public financial understanding and capability and people's ability to manage their financial affairs.

## Debt advice

At least 3 million UK consumers are struggling with problem debt. This can be caused by a range of factors including rising household bills for essential services, more irregular and uncertain incomes, and external shocks such as illness, job loss or divorce. A lack of budgeting skills and poor money management is usually not the main driver.

Debt advice helps people manage and repay monies owed, or make arrangements with creditors where debt cannot be fully repaid. Demand could grow in the short term as the new FCA regime bites on commercial debt management firms in coming months. Looking further ahead, interest rate rises may push a further cohort of people into problem debt. MAS estimates that around 1.5 million consumers currently seek debt advice.

Awareness of the availability of free debt advice amongst consumers is relatively low and many people don't understand the difference between free and commercial advice. In addition many consumers wait 12 months or more before seeking help.

A strong case can be made for the provision of free debt advice to those who need it: it helps customers of major creditor firms get back in control of their finances and creditors benefit from lower levels of bad debt overall. Wider societal benefits include lower incidence of stress related illness and less likelihood of family breakdown.

Since taking over responsibility from BIS in 2012 MAS has made good progress in growing the capacity and cost effectiveness of services it funds. In 2012/13, 158,000 people were helped with MAS funds of £27 million. Today some 220,000 people are helped with funds of £34m.

MAS has chosen not to insert its brand in a debt advice landscape populated by trusted and competent charitable bodies. Instead it acts as commissioner and coordinator to improve efficiency and promote quality standards in the face-to-face free debt advice segment. It currently receives £38 million of levy funding, approved and collected by the FCA from regulated firms, for this work.

MAS's work on debt advice has been largely successful and has made a positive difference for consumers. The challenge now is to raise the ambition so more people can be helped with good quality, cost effective debt advice.

## **Strategic leadership and coordination**

Opportunities exist to secure greater coordination and cost effective supply of free debt advice across the sector as a whole. Many (but not all) consumers facing problem debt would be happy to receive advice by phone or digital channels and this can be up to ten times more cost effective than face to face delivery. It is important that such opportunities are grasped in view of the need for more people with problem debt to receive advice.

MAS should leverage its role at the heart of the debt advice landscape and take on a stronger sector-wide strategic leadership and coordination role. In doing this MAS should work closely with major creditor sectors and with the main advice providers.

We recommend that MAS takes urgent steps to convene and chair a high level Debt Advice Steering Group, bringing senior representatives of major creditor firms together with the CEOs of the main debt advice bodies - Citizens Advice, Money Advice Trust and Step Change. MAS would work with all parties to broker agreement on:

- a consistently applied front-end triage process to ensure that consumers get cost effective debt advice that meets their needs
- early identification and 'nudging' of customers with problem debt into the triage system so more people get advice and debt doesn't spiral out of control
- common processes and approaches with advice bodies and creditors to help drive efficiency, effectiveness and fairness

- a common framework for management information to be reported back to creditors and the wider sector

We are pleased to report that two important creditor sectors outside financial services - energy and water - have agreed to make voluntary contributions into the MAS-coordinated free debt advice funding regime, with an initial down payment of £2 million for 2015-16. This will increase the funds available for MAS coordinated debt advice from £38 million at present to a minimum of £40 million next year. There is strong potential for significant additional funding from these sectors once the new model is up and running.

MAS should monitor the effectiveness of funded services and work with the Debt Advice Steering Group to develop cross sector management information and Key Performance Indicators.

MAS should continue to work actively on debt prevention. We recommend that MAS puts more focus in future on consumer awareness initiatives delivered by the media, the industry or charitable sector bodies. Particular effort will be needed to prepare consumers for prospective interest rate rises.

We believe that government should consider whether to amend the statutory framework for debt management to incorporate helpful features of the Scottish system such as a moratorium on further interest accrual when consumers seek advice.

## Consumer information, education and advice

Financial services is the most complex market that consumers have to navigate and many people continue to be confused by financial products and services. Making poor decisions can lead to significant detriment, sometimes years into the future.

When the Consumer Financial Education Body was set up in 2010 following the Thoresen review of generic financial guidance, it decided to brand itself the Money Advice Service and become a direct to consumer provider of financial information and educational tools largely via the MAS website. To date MAS has invested over £100 million developing and promoting its website. Over 99% of MAS's consumer contacts are via the web. Unprompted MAS brand recognition levels lie between 5% and 10% of the population.

MAS expects some 20 million contacts to its website this year. A like for like figure from moneysavingexpert is 120 million. In addition, tens of millions are informed by the media, consumer bodies, charities, intermediaries and the industry.

Our analysis suggests that around 4.6 million of these contacts will stay on the site longer than a minute this year. MAS estimates that some 7-10 million actions will be taken by consumers as a result of visiting their website this year. We consider this to be subject to considerable uncertainty and likely to be an overestimate.

Much good quality generic information is now available elsewhere on websites that consumers visit and trust. While this isn't 'impartial and set up by government', we believe that this isn't an absolute requirement and that it is more important that consumers can access good quality information and make better decisions. Given this, we consider it not to be good value for money for MAS to seek to duplicate other provision. Rather, MAS should be focusing on improving the quality of the broad range of other information and guidance provision.

Recently MAS has taken steps to work in a more coordinated way with others, and this is to be welcomed. The development of content sharing and click-throughs with partners, the

promotion of generic consumer awareness campaigns, and work on a UK Financial Capability Strategy are evidence of this.

The acid test of MAS's effectiveness is whether or not MAS's efforts have improved levels of financial capability and whether or not MAS's work results in consumers taking better financial decisions. Providing evidence to categorically prove this one way or another is not easy, particularly within the relatively short timeframe of MAS's existence, but MAS has been unable to provide us with a compelling case.

The real question is whether MAS could deliver more for consumers by moving to a different business model. We believe the answer to this question is yes.

## **Helping consumers make better decisions**

We recommend that MAS repositions itself at the heart of the unregulated consumer information and advice landscape, leveraging provision by others and doing less directly itself. Its overriding ambition should be to help empower consumers to make better decisions on financial matters.

Given the ample provision of good advice and information that consumers trust elsewhere in the market, we do not believe that MAS needs to maintain a large website backed up by an extensive marketing campaign. MAS should scale back its website and marketing considerably and instead focus on helping consumers in four main ways as set out below.

### **Commissioning and grant giving to fill gaps**

MAS should establish a budget for pump priming grants and service commissioning to encourage other providers to develop products that fill gaps or provide innovative ways of educating and informing consumers. Examples would include apps or 'edutainment' tools, or the development of protocols to allow data to be shared and enable the development of personal finance management tools.

### **Providing a financial helpline**

At present no free financial helpline service is available to provide independent expert answers to consumer queries about financial products and services. This is an important gap in the market. We recommend that MAS should fill it by piloting a Financial Helpline and develop it further if it adds value for consumers. MAS should coordinate closely with the FCA and the FOS in setting this up so that consumer calls to any of these organisations requiring guidance on financial services can be answered most effectively.

### **Supporting financial education in schools**

MAS should invest more time and money supporting financial education in schools. MAS should coordinate and quality assure the numerous initiatives currently sponsored by the financial services industry and also work with dedicated charitable sector bodies with specific expertise. MAS should bring resources for teachers together in a web-based Schools Portal and award Prize Funds to schools doing leading or innovative work.

### **Promoting consumer understanding**

MAS should work as an honest broker with financial product providers to improve the clarity and comparability of product language and terms. There is broad industry support for such an initiative.

MAS should recognise the range of information and guidance already available in the market and not seek to duplicate it on its website. Rather it should work closely with consumer bodies, the industry and other experts to develop consumer-friendly quality criteria that establish a common understanding of what good looks like. MAS should then also investigate the feasibility of promoting these criteria by enabling good quality providers to be kite marked, and consumers signposted to them.

MAS should continue with its work to promote consumer awareness on key generic themes, but work in a more coordinated way with other partners in order to reinforce messages and enhance consumer impact.

## **MAS and the FCA**

In discharging this new four pronged approach MAS should coordinate more closely with the FCA. As the expert body on consumer understanding and behaviour, MAS should be able to provide valuable input to FCA policy development on retail markets, and help the FCA make markets work better for consumers. The FCA and MAS's views of consumer detriment and market segmentation should be better aligned and research should be coordinated.

We recommend that in future the Financial Helpline and the recast MAS website are promoted by retail financial services firms through direct to consumer touch-points, for example bank statements. The FCA should make rules to require this, as it does for the FOS and the FSCS.

## **Organisation, budget and accountability**

Our vision of the new MAS will require significant transformation of the current model over a period of 2-3 years. MAS will need to recruit new skills and, to a degree, change its mind-set. It will need to work more as a strategic coordinator, sitting at the heart of the landscape and acting fairly and squarely on the consumer side. MAS has already started on this journey but more remains to be done. This will require strong leadership and governance.

We have considered the budget that MAS would need, in steady state, to deliver in line with these recommendations. The MAS debt advice budget should be kept under review as demand and supply continue to change. Under the new model, we believe the budget for MAS's consumer finance education remit could roughly halve from £43 million at present, while serving consumer needs more closely. This is a high-level estimate and MAS, the FCA and the Treasury will want to review this as part of the transition.

We believe that the MAS accountability framework would benefit from being strengthened. We recommend a number of steps that could be taken within the current statutory framework to enable MAS to be held more to account. Ultimately, when opportunities allow, we suggest the government considers a new legal framework that strengthens MAS's formal accountability regime and clarifies and sharpens MAS's statutory remit.



# 1 Background

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## Statutory basis for MAS's role

**1.1** Consumer financial education became part of the UK's statutory financial services regulatory system for the first time in 2000 when the FSA was set up. Promoting public awareness and understanding of the financial system<sup>1</sup> was one of four statutory objectives set by Parliament to govern the FSA's work. The thinking amongst policy makers at that time was that efforts to raise levels of financial understanding and awareness would help consumers make better informed decisions. The regulatory framework referred (and still refers) to the need for the regulator to have regard to the 'caveat emptor' (buyer beware) principle when deciding the degree of consumer protection needed.

**1.2** The Consumer Financial Education Body, now known as the Money Advice Service or MAS, was established by Parliament in 2010.<sup>2</sup> The legislation built on a review by Otto Thoresen<sup>3</sup> which recommended that a 'money guidance' service be set up, on a partnership basis, to advise consumers on how to manage their financial affairs. Thoresen envisaged a service funded equally by government and the financial services industry. The government decided to move the consumer education function out of the FSA into a new Consumer Financial Education Body (CFEB) in order to give the work more focus.

**1.3** CFEB was given a broad and unspecific statutory remit. It was tasked with 'enhancing the understanding and knowledge of members of the public about financial matters and the ability of the public to manage their own affairs'. How it did this was not laid down but the statute states that the CFEB's functions include:

- promoting awareness of the benefits of financial planning
- promoting awareness of the financial advantages and disadvantages of particular products and services
- promoting awareness of the benefits and risks of different kinds of financial dealing
- publishing educational materials or other educational activities
- providing information and advice to the public

**1.4** CFEB was constituted as an independent statutory body funded by levies on regulated financial services firms. The FSA was responsible for appointing CFEB Board members (with the agreement of Treasury Ministers for the appointment of the Chair and CEO) but was also required by statute to secure the CFEB Board's independence from the FSA. The FSA was required to approve the CFEB's annual budget and business plan. These arrangements passed unchanged from the FSA to the FCA in 2012 apart from an added requirement for CFEB to come within the scope of the NAO for audit purposes and a duty to cooperate and share information with the FCA.<sup>4</sup>

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<sup>1</sup> Part 1, Section 4 of the Financial Services and Markets Act 2000

<sup>2</sup> Part 1, Section 6A (1) and (2) Financial Services and Markets Act 2000

<sup>3</sup> 'Thoresen Review of generic financial advice', March 2008

<sup>4</sup> Schedule 15 of the Financial Services Act 2012

**1.5** The CFEB Board quickly decided to rebrand themselves as the Money Advice Service and pursue a digital first strategy, with a view to becoming the primary go-to place for consumers seeking information and generic advice about financial services.

**1.6** Over the last 4 years MAS has spent £208.9 million on its money advice work. Both the Treasury Select Committee and the NAO have raised questions about the effectiveness and value for money of the chosen approach.

**1.7** MAS's debt advice role is more recent and stems from the Financial Services Act 2012, which transferred responsibility from the Department for Business, Innovation & Skills to the Consumer Financial Education Body. MAS was given a new statutory objective:

- 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

## The landscape for debt advice

### Changing consumer needs

**1.8** There is a considerable and longstanding need for consumer debt advice in the UK, and charities and other organisations have been active in the field for many decades. The demand for debt advice has fluctuated over the years and is subject to factors such as interest rates, the availability of consumer credit, changes to the welfare system, changes to household income and changes in the cost of living.

**1.9** Estimates of the indebted population range from c. 3 - 9 million adults. Lower estimates suggest that 2.9 million households are falling behind on their bills or are in some form of debt repayment plan.<sup>5</sup> MAS's own estimate of 8.8 m individuals includes individuals who 'feel their debt is a heavy burden'.

**1.10** It is likely that many of the indebted population would benefit from some form of debt advice. In the spectrum of need, we would suggest the 3 million households in arrears to be a particular priority. A wider group of consumers – including the further 6 million in MAS's estimate - are likely to benefit from broader help and support in managing their household finances, optimising benefits take up and understanding how consumer credit works.

### The market for debt advice

**1.11** Individuals with problem debt can seek debt advice from free, not for profit organisations or from commercial debt management firms. MAS estimates that there are presently 1.5 million

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<sup>5</sup> BIS/YouGov debt tracker Feb-Nov 2012 estimates 11% of UK households are more than three months in arrears or involved in formal action on debt. This equates to c.2.9 million households. For the purpose of receiving debt advice, we make a rough assumption that a household is helped through the equivalent of one individual receiving the advice.



people seeking debt advice.<sup>6</sup> The FCA estimate that around 1.1 - 1.2 million people are using not for profit debt advice providers.

**1.12** The largest and most well-known providers of free debt advice are Citizens Advice, StepChange and the Money Advice Trust which operates the National Debtline for consumers and Business Debtline for small businesses. However a myriad of smaller local charities provide debt advice with many of them affiliated to Advice UK.

**1.13** The not for profit providers are either funded through MAS or local authority grants plus private sector charitable donations (Citizens Advice and the Money Advice Trust operate this model) or through a 'fair share' arrangement with creditors in which the body receives a percentage of debt recovered through debt management repayment plans, at no cost to consumers (this provides the bulk of StepChange's funding).

**1.14** The commercial debt management provider segment has grown significantly over the last 5 to 10 years. However, firms within the sector have been accused of marketing themselves aggressively to vulnerable consumers – for example those who are vulnerable to income shocks or who lack financial capability. Further detriment has resulted from excessive and often opaque upfront fees and charges, in some cases even before remedial plans had been put in place – and from consumers being misled into thinking that the advice was free.

**1.15** Enforcement actions resulting from powers provided to the OFT<sup>7</sup> and the conclusions from the OFT compliance review of 2010<sup>8</sup>, saw a significant number of providers exit the market. Further consolidation is expected given the FCA's new regulatory responsibilities over the sector.<sup>9</sup>

**1.16** The need for debt advice from free providers is likely to grow further over the next 18 months as the FCA takes action to address consumer detriment by significantly strengthening the regulatory regime. In addition the FCA now requires commercial debt management plan providers to ensure that customers are aware that free advice services are available through signposting them to a page on the MAS website.

**1.17** Firms that have been given interim permissions are now being assessed by the FCA against the requirements of the new regime. This could result, in the short term at least, in a contraction of the supply of paid-for debt advice although over time good firms should thrive and there could be new market entry. Well run commercial operators have the potential to offer choice to those consumers who are willing to pay for the speed, flexibility and convenience that they may offer.

**1.18** Demand for debt advice is expected to grow in the event of an interest rate rise, as households just managing to stay on top of their bills could be tipped over the edge by a mortgage rate or rent increase. A recent ICM survey<sup>10</sup> found that a third of mortgage borrowers would struggle to meet repayments if interest rates rose by two percentage points.

## Causes of consumer debt

**1.19** Many people could find themselves facing unsustainable debt at some point in their lives as a result of unforeseen reductions in their income that overwhelm their ability to cope.

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<sup>6</sup> 'Indebted lives: the complexities of life in debt', Money Advice Service, November 2013

<sup>7</sup> Powers provided to the OFT under the Consumer Credit Act 2006

<sup>8</sup> 'Debt Management Guidance Compliance Review', Office of Fair Trading, September 2010

<sup>9</sup> FCA Regulation of consumer credit and debt management services firms from 1 April 2014

<sup>10</sup> 'One-third of mortgage borrowers would struggle if interest rates rise', ICM survey for The Guardian, 9 November 2014

According to recent MAS research,<sup>11</sup> major causes of unsustainable debt include job loss (27% of cases), reduction in income (17%), sickness or disability (18%), or the breakdown of a relationship (9%).

**1.20** It can be hard at such times for people to stay on top of household finances. A common behavioural coping mechanism is to ignore the problem – StepChange estimates that around half their clients wait for more than a year before they seek advice.<sup>12</sup> A lack of knowledge can make this worse. MAS research suggests that 44% of people don't know about the sort of debt solutions that are available to them.<sup>13</sup>

**1.21** The need for debt advice has grown over the past few years as a result of the global financial crisis. The Institute for Fiscal Studies estimates that real income for the median household in 2013-14 was more than 6% below the pre-crisis peak. In the last few years, debt advice agencies have reported a general shift away from consumers who have run up large debts as a result of being sold too many consumer credit products by financial service firms, towards more people who struggle to pay routine household bills.

**1.22** The Money Advice Trust reports a 140% rise in calls about household debt since 2007, with the proportion of clients in arrears on energy bills rising from 7.7% in 2007 to 17.7% in 2013; corresponding increases for water bills are 3.7% to 12.9%, and Council Tax 13.7% to 22.6%.<sup>14</sup> StepChange<sup>15</sup> and MAS<sup>16</sup> report a similar trend.

**1.23** For people on lower incomes, price rises for essential goods and services have a greater impact than for the general population. The increase in flexible and part time employment has also lowered the reliability of household income for some sections of the workforce.

### **The benefits of debt advice**

**1.24** Debt advice aims to put people in a position where their finances are sustainable - with outstanding debt either paid off or subject to some relief. The process itself is valuable in helping consumers understand how to avoid getting into problem debt again. It also delivers wider benefits to creditors, the economy and the public purse.

**1.25** Solutions for problem debt can involve a range of processes depending on individual circumstances. At one end of the spectrum it can simply be giving someone the tools to recover from their debt through careful budgeting, and this is often the first option considered. However, many people need more support than this. Upon advice, they can enter into voluntary arrangements with creditors to pay off the debt in instalments – either directly or through a debt management plan (DMP) arranged by a provider. In England and Wales they can seek partial or full relief from the debt through a statutory debt remedy such as an Individual Voluntary Arrangement (IVA)<sup>17</sup> managed by an insolvency practitioner.

**1.26** IVAs, Debt Relief Orders (DRO) and Administrative Orders act as alternatives to bankruptcy but were designed as insolvency schemes, to help people with long term financial difficulties. People in Scotland can be eligible to opt for a different type of statutory remedy called a Debt

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<sup>11</sup> 'The Money Advice Service Debt Advice Review 2013/14', Optimisa Research (prepared for the Money Advice Service), August 2014

<sup>12</sup> StepChange evidence to Review, June 2014

<sup>13</sup> 'Indebted lives: the complexities of life in debt', Money Advice Service, November 2013

<sup>14</sup> Money Advice Trust, Changing Household Budgets, June 2014

<sup>15</sup> 'Statistics Yearbook - Personal debt 2013', StepChange

<sup>16</sup> 'The Money Advice Service Debt Advice Review 2013/14', Optimisa Research (prepared for the Money Advice Service), August 2014

<sup>17</sup> In Scotland a Protected Trust Deed can provide similar relief

Arrangement Scheme (DAS). DAS has operated in Scotland in some form since 2004, but in its current form since 2011<sup>18</sup>. Once an approved money advisor or DAS administrator has been notified by an individual that a debt payment plan (DPP) application will be made, all interest, fees, charges and enforcement action stops for a period of 6 weeks prior to the submission of application.

**1.27** Consumers who take expert advice usually succeed in repaying most of what they owe, in a way that they can afford. The process enables them to regain control of their finances and their lives, and gives people a 'light at the end of the tunnel'. A MAS study<sup>19</sup> found that individuals in unmanageable debt who had sought debt advice are twice as likely to stay in control of their finances in future as those who had not sought advice.

**1.28** For creditors, a managed and reasonable degree of debt forbearance where customers take expert advice can lead to increased levels of debt recovery and lower bad debt write-off levels. Recent figures from StepChange suggest that in return for its total funding of £33.6m, creditors have gained £82m each year through the recovery of debt, reduced costs associated with chasing arrears, and reduced costs of bad debt collection and enforcement.<sup>20</sup>

**1.29** For the wider economy, debt advice can lead to higher productivity as individuals are released from the burden of unsustainable debt. It is likely that there are gains for the Exchequer from taxation on greater economic output and reduced welfare payments. StepChange estimates the social cost of problem debt (for example mental health and family breakdown) as £8.3bn and that by alleviating this, debt advice has the potential to reduce this social cost by £3.1bn.<sup>21</sup> Whilst this study was funded by a charity looking to demonstrate its value, it does give a sense of the scale of opportunity.

## The landscape for financial education and generic advice

### Changing consumer needs

**1.30** Numerous studies show that levels of financial capability remain low and many people struggle to understand the terms of what's on offer. Financial products can be notoriously complex, and quality and cost parameters are often opaque. It's hard for consumers to apply the normal yardsticks they use to judge goods and services in other markets.

**1.31** Recent MAS research<sup>22</sup> found that one in three people misunderstand the meaning of the term 'interest', 44% don't understand what an 'annuity' is, and 84% don't read the terms and conditions when they buy a financial product.

**1.32** The 2014 MAS financial capability tracking survey showed that 12% of the population believe the Bank of England base rate is currently over 10%. One in three people don't understand inflation, and this statistic rises to 43% for under 35 year olds. A study earlier this year found that 70% of UK adults answered personal finance questions incorrectly – with a third scoring 43% or less.<sup>23</sup>

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<sup>18</sup> The Debt Arrangement Scheme (Scotland) Regulations 2011

<sup>19</sup> 'The effectiveness of debt advice in the UK', YouGov on behalf of Money Advice Service, October 2012

<sup>20</sup> 'Transforming Lives', StepChange and Baker Tilly, 2014

<sup>21</sup> 'Cutting the cost of problem debt', StepChange, 2014

<sup>22</sup> 'Misunderstanding Financial T&Cs Cost UK Adults £21 Billion Last Year', Money Advice Service study conducted by One Poll, 3 September 2014

<sup>23</sup> 'New research reveals that 70% of UK adults aren't able to answer GCSE level finance questions', Open University Business School, 2014

**1.33** The latest MAS consumer tracker does however show some signs for optimism. More than half of those with bank accounts now state that they regularly check their bank statements, compared with 36% in 2006. In addition 79% of people now report that they feel confident about managing their money. In general, when buying an expensive item, 93% of consumers report that they 'shop around'. These indicators suggest that in some areas consumer engagement may have improved in the last 10 years or so.

**1.34** Despite this, financial services remain a market where it is all too easy for anyone, including so called sophisticated consumers, to make risky or expensive mistakes. Perhaps uniquely, any consumer can at times be vulnerable because of the acute asymmetries of information that exist between buyers and sellers. People with lower levels of literacy and numeracy are likely to find understanding financial services even more of a challenge.

### How consumers behave

**1.35** The understanding of actual, as opposed to theoretical, consumer behaviour has developed considerably in the last few years and behavioural economics has advanced as an academic discipline. Studies show that it is normal for consumers to discount future benefits as against current benefits, see upsides more clearly than downsides, defer making difficult and complex decisions, and be confused rather than helped by large amounts of information - especially if it is about something they do not find enjoyable or satisfying.

**1.36** The FCA's occasional paper on Behavioural Economics<sup>24</sup> found that regulatory approaches that require point of sale information to be framed in a way that helps consumers pay more attention to risks, or which nudge consumers into appropriate products, are more likely to be effective than consumer education in some circumstances.

**1.37** Research by the FCA<sup>25</sup>, the Thoresen Review and MAS demonstrates that consumers are likely to avoid thinking about their finances and their own financial planning unless and until they have a specific need to do so. This suggests that trigger and nudge mechanisms which kick in and touch consumers at a real point of need are more likely to be effective than approaches that urge consumers to give up their free time to learn about financial affairs.

### Technological change

**1.38** While MAS is the only statutory financial education body, a wide range of other players now provide useful information and guidance to consumers. The market is developing fast, largely driven by technological change which enables cheap data aggregation and distribution.

**1.39** 83% (21 million) of households now have an internet connection<sup>26</sup> and 61% of UK adults have a smart phone. Over half the population now access the internet using a smart phone.<sup>27</sup> Consumers are increasingly confident about using online search tools such as Google when they want information. Of course, access to digital services is not uniform: some homes in the UK may not have access for a variety of reasons including rural location, and some segments of the population may choose not use such services.<sup>28</sup>

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<sup>24</sup> FCA Occasional Paper No. 1 'Applying behavioural economics at the Financial Conduct Authority', Financial Conduct Authority, April 2013

<sup>25</sup> 'Levels of Financial Capability in the UK: Results of a baseline survey', Financial Services Authority, March 2006

<sup>26</sup> 'Internet Access - Households and Individuals, 2013', Office for National Statistics Statistical Bulletin, 8 August 2013

<sup>27</sup> 'Adults' Media Use and Attitudes Report 2014', OfCom, 29 April 2014

<sup>28</sup> 20% 55-64s, 37% 65 - 74s and 65% over 75s don't have access to the internet at home. 17% of those surveyed do not go online at all on any device. 'Adults Media Use and Attitudes 2014', Ofcom, 29 April 2014

**1.40** Social media has also seen major growth and allows individuals to share information, expertise, experiences and opinions almost instantly. The widespread use of websites such as Facebook, Twitter, Instagram and YouTube make social media a powerful communications medium.

**1.41** Further technological innovation could deliver powerful services to help promote consumer understanding and change behaviour in future. For example, the government's recent Autumn Statement cites the potential power of opening up secure interfaces (APIs). Common protocols could enable the development of personal finance management tools that aggregate data, with the consumer's permission, from a number of accounts and suggest appropriate products or changes in behaviour to consumers.

### **The landscape for information, education and advice**

**1.42** The types of bodies providing information and general advice can be classified into four groups:

- consumer groups and charities
- commercial intermediaries
- financial services product providers
- the media

#### **Consumer groups and charities**

**1.43** Well known providers include the Citizens Advice service<sup>29</sup> which provides face to face, helpline and online advice; Which? provides financial information and generic advice, including some comparative tables, on its website and subscribers to Which? Money can access extensive financial guidance; AgeUK provides information and advice via a range of channels including face to face; and the Pensions Advisory Service provides a helpline on pensions queries.

**1.44** A number of other local and national charities provide information and advice to consumers. There can be significant crossover between some elements of 'money advice' (such as basic budgeting and benefits advice) and 'debt advice' provision. Money advice is delivered by around forty charities<sup>30</sup> across the country with others offering an element of money advice as an adjunct to their core provision.

#### **Commercial intermediaries**

**1.45** These include online intermediaries such as Confused.com, CompareTheMarket, GoCompare, Money.co.uk, MoneySupermarket; MoneySavingExpert, and ThisIsMoney. Many of these platforms provide information and recommendations that stop short of regulated advice, as well as click through price comparison tables. A number of these platforms have significant reach. MoneySavingExpert, for example, has over 15 million visitors to its website every month.<sup>31</sup>

**1.46** Regulated professional financial advisers constitute the other main category. For example, the Personal Finance Society has 35,000 individual members and issues annual Statements of Professional Standing (SPS) to over 80% of the regulated adviser sector.

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<sup>29</sup> Also includes Citizens Advice in England and Citizens Advice Cymru in Wales, Citizens Advice Scotland and Citizens Advice Northern Ireland

<sup>30</sup> Money Advice Service

<sup>31</sup> Evidence to review, moneysavingexpert.com, figure correct as of October 2014

**1.47** The sector is evolving following the FCA's Retail Distribution Review as evidenced in the FCA's most recent thematic review.<sup>32</sup> The cost of independent financial advice is currently around £150 per hour<sup>33</sup>, but advisers do offer fixed fee options. There is capacity to do more and a recent survey by the Personal Finance Society found that 40% of members prepared to offer fixed fee help on pensions and retirement following the recent policy changes. The PFA envisage a professional personal 'focused review' guidance service being available to consumers for around £250-£350. Looking ahead it is likely that such services could be available remotely using intelligent software and webchat for a lower fee.

### Financial product providers

**1.48** The majority of financial institutions including banks, building societies, insurers and asset managers provide useful information, consumer tools and generic advice on their websites. Banks and building societies also help customers with advice on general financial planning on a daily basis in their branches. Many are involved in promoting financial awareness and understanding in their local communities and some support financial education initiatives in schools; examples include Barclays Life Skills, Santander's MoneyWise and Lloyds Banking Group's Money for Life.

**1.49** Others also provide useful consumer tools. For example, the AA and RAC offer loan calculators whilst Aviva has tools on mortgages and budgeting. Fidelity provides retirement calculators, estimators and guides.

### The media

**1.50** Public information about money matters and financial services including best buys, top tips, how to avoid problems and Q and A information is widely available through conventional and social media. 87% of adults read newspapers<sup>34</sup> and most people derive information from the broadcast media. Personal finance journalists are often a valued source of generic information and advice.

### Auto-enrolment into pensions savings

**1.51** Nearly all UK employees are being auto-enrolled into defined contribution pension savings via their employer's payroll. National rollout will be complete by October 2018. This massive new 'nudge' technique will result, over time, in virtually all workers building up a long term savings pot to help fund their future retirement.

**1.52** With auto enrolment infrastructure in place, the workplace has the potential to become a more important distribution mechanism for consumer information and generic advice over time.

### Reform of the pensions market

**1.53** From April 2015 consumers with defined contribution pension pots will have unprecedented freedom about what they do with their pension savings, how and when to take cash, and whether to buy an annuity or an alternative retirement income product. The tax and benefit implications of individual decisions could be complex and the purchase of an annuity is irrevocable.

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<sup>32</sup> 'TR14/21: Retail investment advice: Adviser charging and services', Financial Conduct Authority, December 2014

<sup>33</sup> Unbiased.co.uk, 2014

<sup>34</sup> National Readership Survey. Includes print and online readership

**1.54** The government has recognised that consumers will need help in making the right choices and has committed to ensuring that free impartial pensions guidance is available for people with defined contribution pension savings approaching retirement. The government is setting up a service to provide pensions guidance, with The Pensions Advisory Service (TPAS) and Citizens Advice as its delivery partners for telephone and face to face channels respectively. MAS is supporting development of the government's website, along with other online content and tools.

**1.55** Whilst focused guidance targeted on people approaching retirement is the current priority, the ability of consumers to choose how to spend or invest their retirement savings represents a profound change. Increasing numbers of consumers will need financial advice and guidance both before and after they have retired.

### **Schools and young people**

**1.56** Financial education became part of national curriculum in England in September 2014. Financial education is now part of the Citizenship curriculum for 11-16 year olds and part of the Maths curriculum for 5-14 year-olds. This provides a major opportunity to build on voluntary initiatives by the charitable sector, and by financial institutions. Scotland, Wales and Northern Ireland already require financial education to be taught in their schools.





# Debt advice: MAS's approach to date

## 2

**2.1** MAS has had relatively little time since taking on this role to make its mark but has made good progress. It is now the largest single funder of free debt advice in the UK with 162,500 consumers helped face-to-face in 2013-14 by means of grant in aid agreements with six debt advice charities in England and Wales.<sup>1</sup> The largest recipient of these funds was Citizens Advice.

**2.2** MAS allocates funding to Scotland and Northern Ireland in line with the Barnett formula. In Scotland MAS works through the Scottish Legal Aid Board to co-fund innovative debt advice programmes<sup>2</sup> with the Scottish government and others. This year MAS anticipates helping 31,000 people in Scotland through these projects. Northern Ireland funding supports the face-to-face element of Debt Action NI, and is co-funded with the Northern Ireland Executive.

**2.3** By way of comparison with MAS's primarily face-to-face service, in 2013 over 500,000 people across the UK contacted StepChange – split evenly across telephone and online - and around 300,000 took debt advice; the Money Advice Trust advised over 150,000 people, the majority over the phone.

**Table 2.A: Money Advice Service funding of UK debt advice 2012-2015**

Year	England and Wales		Northern Ireland		Scotland <sup>a</sup>
	Total funds allocated £m	Total people helped	Total funds allocated £m	Total people helped	Total funds allocated £m
2011-12 <sup>b</sup>	27	100,000			
2012-13	26.75	158,000	0.783	4,339	2.2
2013-14	27.55	162,500	0.783	3,927	2.35
2014-15	30.36	220,000 <sup>c</sup>	0.783 <sup>c</sup>	3,798	2.425

<sup>a</sup> Total people helped in Scotland not shown here as MAS is co-funder sponsoring targeted interventions rather than meeting general demand. However, MAS anticipated 31,000 people will be helped through projects it co-funds this year.

<sup>b</sup> 2011-12 was the last year of BIS funding

<sup>c</sup> Projected

Source: Money Advice Service

**2.4** When debt advice passed from BIS to MAS, funding was transferred from public taxation to financial services creditor organisations through a levy collected by the regulator, on the basis that some of the debt requiring advice was from various forms of borrowing. The biggest ten financial services debt levy payers now contribute roughly three quarters of the debt levy.

**2.5** MAS channels 90% of its debt advice levy funds to front-line services (in 2014-15, £34.2m of £38m). MAS has sought to increase the efficiency of debt advice - primarily through incentivising one-off advice sessions rather than ongoing casework where appropriate and providing more drop-in sessions. MAS has also sought to increase efficiency through channel shift and common standards. MAS expects 220,000 people to be helped through debt advice

<sup>1</sup> MAS had grant agreements with six debt advice charities for the delivery of advice in 2013-14. The charities are Talking Money – South West, Capitalise London, Community Finance Solutions, East Midlands Money Advice, Greater Merseyside Money Advice Project and Citizens Advice Service.

<sup>2</sup> Co-funded programmes are the Economic Downturn programme and Making Advice Work programme

provided by its partners in England and Wales this year. If it achieves this, it will have increased the number of people helped by services it funds by 120% for a 12% increase in costs. By March 2015, the unit cost of MAS funded debt advice is projected to have fallen from £270 to £138.

**2.6** MAS recently decided to award debt advice grant agreements in England and Wales for three years rather than one. These agreements will provide greater certainty to charitable bodies and avoid the need for them to be locked into an annual cycle of preparations for redundancy pending new funding agreements.

**2.7** The new agreements require more hand-off to telephone and web chat services. Prior to this, channel shift has been limited and informal with the vast majority of MAS funded debt advice being face-to-face. By March 2016, MAS aims to help 200,669 customers in England and Wales through phone and digital means in addition to 160,876 through face-to-face support, the latter to continue to meet client need for that channel.

**2.8** MAS funding in Scotland and Northern Ireland already supports multi-year projects with its partners.

**2.9** As part of the new agreements MAS is rolling out a Common Initial Assessment protocol to organisations it funds to ensure a standardised approach to providing consumers with the right type of advice through the appropriate channel. MAS has developed a quality framework to ensure consistent standards and appropriate training of advisers. MAS has also developed an evaluation toolkit, which measures the effectiveness of a debt advice service against 15 consumer outcomes.

**2.10** MAS has worked hard to turn around at times difficult relationships with the services it funds, and these – at least with the largest debt providers - are now on a stronger footing. Its relationships with other debt advice organisations, and with creditors who fund free debt advice, are more limited. For example, creditor organisations report that they are often consulted fairly late (or not at all) as MAS develops its approach.

## Research and evaluation

**2.11** MAS has undertaken a significant amount of research on the nature of UK unmanageable debt – for example studies into who is affected by debt and how it affects them<sup>3</sup>, the supply of debt advice in the UK<sup>4</sup>, and its effectiveness<sup>5</sup>.

**2.12** MAS evaluates the effectiveness of the debt advice it funds.<sup>6</sup> MAS measures the number of debt advice sessions delivered and supplements this through qualitative understanding of client experience and actions measured against the outcomes Evaluation Framework. MAS has tracked the impact of advice over the two full years it has funded services and plans to continue to build a fuller picture of the impact of debt over time.

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<sup>3</sup> 'Indebted lives: the complexities of life in debt', Money Advice Service, November 2013

<sup>4</sup> 'Audit of the supply of debt advice services in the UK', Money Advice Service, December 2012

<sup>5</sup> 'The effectiveness of debt advice in the UK', Money Advice Service, October 2012

<sup>6</sup> 'Money Advice Service Debt Advice Review 2013/14', Optimisa Research (prepared for the Money Advice Service), August 2014

# Strengthening debt advice co-ordination

## 3

**3.1** The NAO<sup>1</sup> found that MAS is achieving value for money in its debt advice role. MAS is helping to coordinate effective debt advice and has delivered some efficiency gains. MAS now needs to develop its approach further, so it can help increase the supply and cost effectiveness of free debt advice and offer more by way of sector leadership and strategic coordination.

**3.2** To achieve this MAS must be bolder in its sector-wide leadership, working collaboratively with creditors and debt advice providers to increase the supply of free debt advice for the 3 million or so people who are in most urgent need of it.

**3.3** A wider group of consumers are at risk of falling into arrears. Help on preventing debt will have an important role to play here. MAS should continue to work with the media, consumer groups and the industry on how to avoid problem debt

**3.4** Major creditors have a strong interest in ensuring that customers who face difficulties in repaying bills or loans get the help and advice they need. Many creditor firms recognise the importance of this already and provide support for bodies providing debt advice. There is no mechanism however to bring the collective voice of creditors to the table, despite their common interest in ensuring that an efficient and accessible system is available to help their customers. The main providers of debt advice also have a common interest, in pursuit of their charitable objectives, to try and help as many people as possible through the cost effective provision of good quality advice.

**3.5** MAS is uniquely placed to bring together creditors and debt advice providers in order to achieve greater coordination, drive efficiency gains, increase the capacity of the system and help more people. We therefore recommend that MAS demonstrates strategic leadership by convening a high level Debt Advice Steering Group, to be chaired by the MAS Chair, which brings together senior representatives from creditor firms with the Chief Executives of the three major debt charities – Citizens Advice, Step Change and the Money Advice Trust. MAS will need to develop a mechanism for ensuring that the views and expertise of broader non-profit debt advice community also inform the Steering Group's work.

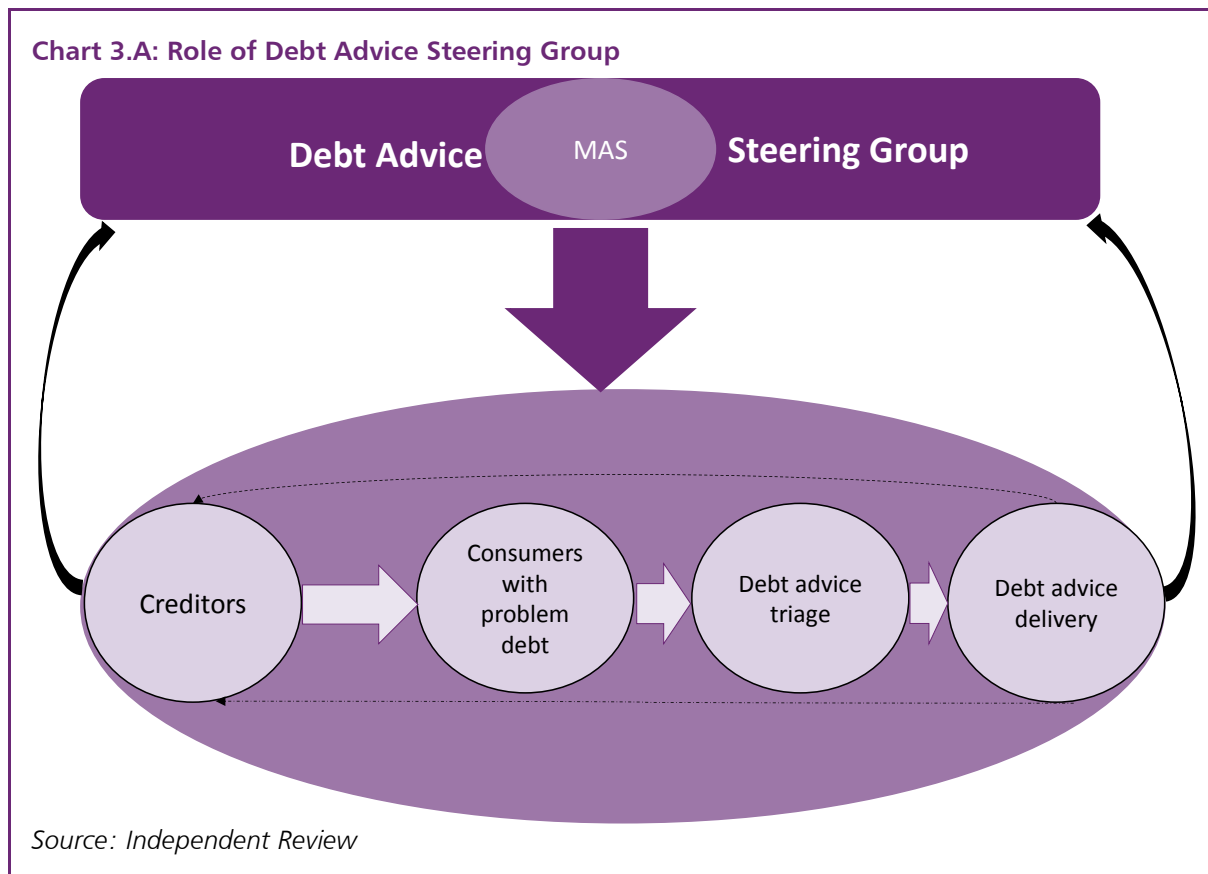
**3.6** MAS already convenes a debt advice forum, but the Steering Group would be a very senior level body working at a strategic level. The Group would help to coordinate and broker agreement with and between major creditors and major debt advice providers in order to improve the capacity and reach of free debt advice provision. It would have a strong advisory and guiding role rather than formal powers, and be responsive to changing needs.

**3.7** Early aspects of the Steering Group's work should include building on and implementing a number of the recommendations in this report. We believe the Steering Group would be particularly helpful in guiding implementation of a front-end triaging system for debt advice, agreeing common systems and protocols for both creditors and advice providers, and developing 'nudge' systems to help provide people with debt advice before problems become intractable. The Steering Group should also ensure more consistent management information is collected.

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<sup>1</sup> 'Helping consumers to manage their money', National Audit Office, December 2013

Chart 3.A: Role of Debt Advice Steering Group



**Recommendation:** MAS should establish a high level Debt Advice Steering Group at the earliest opportunity, comprising senior representatives from creditors together with the Chief Executives of Citizens Advice, Step Change and the Money Advice Trust, to help improve the efficiency, effectiveness and reach of free debt advice. The Steering Group should be chaired by the MAS Chair.

### Expanding the coverage, reach and provision of free debt advice

**3.8** We propose below further action that MAS should take to make its debt advice budget go further, ensure the advice reaches the people who need it, and help raise standards more broadly across the sector. There is also a strong case for a broader funding base for debt advice.

#### More effective triage

**3.9** Most MAS funds are currently spent on providing face-to-face support. Some people need this because they are either lacking financial capability or have interrelated and complex issues to resolve - MAS's estimates 32% of debt advice seekers based upon its research. However many others do not, and there are good reasons for rebalancing funding in favour of other channels such as phone advice.

- Face to face debt advice is expensive; phone advice is significantly more cost effective, allowing many more people to be helped. The NAO in 2010 estimated that 5 people could be helped by phone for the cost of helping one person face-to-face. Web based advice (usually backed by telephone) is even more cost effective

StepChange currently estimate a 10 to 1 ratio for the number of people who can be helped by the web compared to the phone.<sup>2</sup>

- Phone advice can be more convenient and accessible - people can take advice in the comfort of their own home, with relevant papers to hand and in total anonymity, and phone lines are usually open for longer hours.<sup>3</sup>
- Outcomes are as good for phone advice as for advice given face-to-face. The 2012 MAS study<sup>4</sup> found that debt advice outcomes were largely channel neutral and depended more on the skills and professionalism of the adviser. Of course, for some outcomes may be channel-specific and individual assessments need to take account of individual needs and preferences.

**3.10** MAS is now promoting channel shift through its grant agreements. However there is the potential to go further. Under current arrangements, people seeking debt advice usually approach the organisation they are most familiar with and are often not aware of other options. This may be very positive - people are more likely to trust and act upon the advice of an organisation they are familiar with. However, it can lead to them failing to consider a potentially more convenient channel of advice. If more people are to be helped with the funds available, then a more systematic approach to directing consumers to the most suitable and convenient source of advice for them is needed.

**3.11** In view of this we recommend that MAS should facilitate the establishment of a system for triaging consumers needing debt advice, working closely with the Debt Advice Steering Group. The big three debt advice charities in particular have a wealth of experience in assessing people in need of debt and should play a leadership role in this, consulting with other debt charities. MAS should seek broad agreement on unified scripts and protocols for directing individuals into the most appropriate channel for them, and drive implementation. Such a system should be piloted and then rolled out, allowing lessons around channel preference to be incorporated. By 2016, as many people as possible should be triaged through the common front-end process across a 'family' of good quality debt advice charities.

**3.12** Triaging would need to work as a virtual system to begin with, with providers agreeing a set of common front-end protocols and processes. Debt advice charities would continue to promote their services and contact details but a common virtual system would be running behind the scenes.

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<sup>2</sup> StepChange evidence to the Review

<sup>3</sup> Recent StepChange research shows that 80% of those needing debt advice are happy to receive it by phone. Research by the Money Advice Trust<sup>3</sup> indicates that eight in ten users would feel comfortable with debt advice delivered by phone provided it was independent, professional and personalised.

<sup>4</sup> 'The effectiveness of debt advice in the UK', Money Advice Service, October 2012

### **Box 3.A: Potential debt advice journey.**

For the triaging to be effective and avoid the risk of individuals dropping out, it will need to be seamless and supportive. Experts from debt advice and creditor organisations are best placed to design this but it could work as follows:

*An individual would phone the number of their chosen charity and speak to someone from that organisation – the service would be white-labelled. The individual would undergo an assessment of need to determine the most suitable advice channel. If their chosen charity had capacity in that channel, they would stay with them. If the chosen provider did not have capacity, then the individual would be directed to an alternative charity, with the benefits of doing so clearly explained. To reduce the risk of drop-out, the call would be 'hot-buttoned' through to the alternative provider.*

**3.13** A second stage could be to move to a single front-end hub that consumers with problem debt were referred to. We recommend that the Debt Advice Steering Group and MAS should commission an analysis of the costs and benefits of developing such a hub, with MAS funding set up costs if the business case demonstrates efficiency and effectiveness benefits for all.

**3.14** There is a specific early need to meet demand for advice from people impacted by the closure of commercial debt advice providers. On an interim basis MAS, together with a consortium of debt advice providers, is implementing a limited triage system for this group. We recommend that MAS feeds lessons learned from this exercise into the development of the longer-term model.

**Recommendation:** MAS should use the Debt Advice Steering Group as a vehicle for brokering agreement on provision of a common front-end system across the main free debt advice providers, to triage consumers needing debt advice into the most appropriate channel.

### **Funding for MAS-coordinated debt advice**

**3.15** The current burden of funding MAS-coordinated debt advice falls solely on financial services firms. This seems to us to be inappropriate, given that consumers fall into arrears with a range of other creditors including utility firms, housing associations and local authorities. It is also unfortunate that there is no tax-payer funding, given that time lags in benefits payments can drive some people into debt, and there are wider costs to society that taxpayers inevitably pick up when problem debt is not addressed.

**3.16** The Review has been in discussion with the regulated energy and water sectors to encourage them to play their part in funding free debt advice in a coherent way, pointing out to them the commercial and intangible benefits of so doing in terms of reducing bad debt write-offs and demonstrating responsible behaviour.

**3.17** Both sectors allocate considerable funding to advice provision already, mostly by means of an *ad hoc* company-by-company approach. There is an opportunity here for significant benefits to be realised through more coordinated arrangements.

**3.18** We are pleased to report that the regulated energy and water sectors have agreed to make voluntary contributions into the MAS-coordinated debt advice system, with a down payment of £2 million for financial year 2015-16 pending further developments. These contributions are welcome and will help start to broaden the creditor funds available to MAS and spread the reach of MAS coordinated advice. We would expect representation from energy and water sectors alongside financial services on the Debt Advice Steering Group.

**3.19** We have not been able to secure further voluntary contributions to the MAS - coordinated debt advice system in the time available but recommend that MAS seeks contributions from major creditors where practical. Ideally, further contributions from the energy and water sectors, together with contributions from large regulated communications firms, the rented housing sector and local authorities could be secured in due course.

**Recommendation: MAS should work with the Debt Advice Steering Group to ensure that the funds available for debt advice, including financial services levy funds and voluntary contributions from energy and water sectors, are deployed in the most effective way.**

### **Early intervention – reaching more people who need the advice**

**3.20** Expanding the provision of debt advice is necessary but not sufficient. People who are beginning to get into financial difficulties frequently wait too long before seeking help from debt advice. Often they allow debts to accumulate or in some cases take out further loans to pay off the original debt. Helping individuals to benefit from debt advice early can reduce – or in some cases avoid altogether – the real difficulties associated with being in arrears. MAS should help address these behavioural aspects as a priority.

**3.21** There has been much work in this area already. The retail banks often provide contact details of debt advice charities to their customers when they are in arrears. Many banks and utilities provide more extensive support. There can at times be a reluctance for organisations to be pro-active, in case they be seen to be insensitively interfering in people’s affairs. However, with appropriate care, this can be overcome. For example, a recent study conducted with a leading bank<sup>5</sup> concluded there was significant potential for proactively referring customers to debt advice charities at an early stage.

**3.22** Encouraging customers to seek early help with their debt is something that creditors and debt advice providers could address, working directly together. The Steering Group and MAS could set stretching targets, encourage innovation and ensure best practice is quickly adopted. For example, sharing outcomes from the piloting and consumer testing of “hot button” referral approaches could be valuable. Utility firms may have a role to play in helping provide consumer friendly early nudges.

**Recommendation: MAS should work with creditors and debt advisors to broker agreement on the use of ‘nudge’ processes to refer consumers with problem debt to advice bodies at an early stage.**

### **Incentives for early intervention**

**3.23** More people might be encouraged to seek advice, and seek it earlier, if there were incentives for them to do so. One incentive which has been used successfully is the freezing of interest and charges on debt due. The extent to which people are able to do this differs across the UK, with a number of insolvency and debt repayments arrangements in place.

**3.24** In Scotland, people in debt entering into repayment plans have a statutory right to have their fees and interest frozen under the Scottish “debt arrangement scheme” (DAS). The scheme provides a 6 week “breathing space” for debtors looking to set up a repayment scheme during which fees and interest are frozen. If a DAS is entered into then fees and interest continue to be frozen. The scheme has proved popular in Scotland - 1200 DAS debt payment programmes were approved in Q2 2014/15.

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<sup>5</sup> ‘Understanding Financial Difficulty: Exploring the opportunities for early intervention’, Money Advice Trust, Barclays and University of Bristol Personal Finance Research Centre, 2011

**3.25** There is no equivalent to this in England, Wales or Northern Ireland; arrangements must be negotiated with creditors, who may or may not agree to the freezes. While there are other schemes that provide some help they do not replicate the DAS scheme. For example, statutory protection is provided in the UK if creditors enter Individual Voluntary Agreements (IVAs), however these are more an alternative to bankruptcy and include write-offs of some debt, as opposed to simple repayment. Furthermore, solutions such as IVAs impact a person's credit rating.

**3.26** Introducing the benefits of the Scottish scheme to England and Wales could be a positive step in supporting those facing problem debt but seeking to repay it. The government should consider how best to implement the helpful features of the DAS scheme into the legal framework for England and Wales – and how this might fit with the schemes and protections already in place. In doing so, the government will need to consider the potential impact of the new arrangements on a consumer's credit score.

**3.27** There is an opportunity to address a further barrier to the adoption of debt repayment plans: the need to ensure agreement to repayment plans with all creditors. It can be in the commercial interests of one or more creditors to hold out and demand preferential treatment – or refuse to participate at all. While there may be ways round this, it can be unfair and also reduces the incentive for the consumer to enter such a plan. New measures could require all creditors to participate in repayment plans on fair and agreed terms.

**3.28** Ideally new arrangements of this sort would be put on the statute book. In the meantime it may be possible for the Debt Advice Steering Group, with MAS support, to broker voluntary agreements across the creditor community to help improve current arrangements.

**Recommendation: government should in due course review the legal framework for debt administration - in order to provide consumers who agree to specified debt repayment schemes with a "breathing space" by freezing interest and charges, and to ensure a fair and appropriate basis for debt repayments to different classes of creditor.**

### **Avoiding problem debt**

**3.29** The real prize in debt advice is to go one stage further than early intervention and help people avoid getting into debt in the first place. Debt prevention is better than cure. This isn't a panacea – many people face problem debt as a result of unexpected life events – but preventative measures must be part of the overall approach to tackling problem debt.

**3.30** Ensuring a wide range of creditors identify and act upon the warning signs when customers start getting into debt, as described above, is one way of addressing this. We describe below two other ways of helping people avoid getting into problem debt - coordinating consumer campaigns and the deployment of debt prevention funding.

**3.31** It is well recognised that people often do not appreciate – or do not act upon – how to avoid problem debt, and how to get help to deal with it. Initially an individual may not face up to their debt – and when they do, might not be in a position to choose the best source of debt advice. FCA action is likely to help in this area, by for example its requirement on commercial providers to make clients aware of the availability of free debt advice.

**3.32** Raising consumer awareness of potential causes of debt and how to plan to avoid it, remains very important. We recommend that MAS puts more focus in future on this strand of its work and prioritises consumer awareness initiatives, coordinating closely with the media, the industry or charitable sector bodies. MAS would encourage the media and the charitable sector to fill any gaps, and undertake PR work to ensure the campaigns achieved good coverage. MAS might be able to fund some co-development costs to support this work.



**Recommendation: MAS should work with the industry, the charitable sector and the media to raise consumer awareness of how to avoid problem debt and the options for advice, and the importance of seeking early help.**

**3.33** In addition to debt advice, MAS also spends £9.25 million per year on the direct delivery of face-to-face, phone and web chat 'money advice'. This, together with MAS's website, is funded - and run through - the half of MAS's business focused on promoting consumer financial understanding and capability. Although these sessions may cover a range of topics, in practice much of the advice focuses on financial resilience – and especially debt avoidance - through techniques such as weekly budgeting; other areas of advice on issues such as benefits may also support this.

**3.34** MAS seeks to secure a degree of cohesion between the services it funds. However we believe this this does not go far enough and sustains an artificial split between MAS's debt advice and its money advice (debt avoidance) work. This can reduce the opportunity for greater flexibility on the part of providers in best meeting clients' needs. For example, charities that provide MAS-funded debt advice and also support vulnerable people are in a strong position to build debt avoidance into their offerings, and many do so.

**3.35** To address this, MAS should integrate its face to face, phone and web chat debt and money advice (debt avoidance) services as soon as contractual arrangements allow, with a view to absorbing the management and funding for money advice (debt avoidance) into an overall coherent framework over time. In future, MAS should support, through its debt advice arrangements, a more flexible range of debt advice and debt avoidance services.

**3.36** While this support will in due course be managed and funded as a coherent set of services, MAS will want to consider how this is pitched, to avoid any risk that consumers are discouraged by the perceived stigma of seeking debt advice or help.

**Recommendation: MAS should, when opportunities allow, seek to integrate its debt avoidance face-to-face, phone and web chat advice into its debt advice funding regime**

## **Raising the standard of debt advice**

### **Promoting best practice and standards**

**3.37** MAS has been active in increasing standardisation in the provision of free debt advice. It has already introduced a Common Assessment Protocol and it sets quality standards for the services it funds. There are opportunities for MAS to go further, which it should seize.

**3.38** Debt advice bodies currently use a variety of approaches to helping customers, for example in determining which debt solution is right for them. This diversity is appropriate up to a point but a more consistent approach is desirable. The major debt charities have already embarked on joint work to progress this. MAS should encourage and facilitate such coordination by working with the Debt Advice Steering Group to identify and promote best practice at each stage of the debt advice process.

**3.39** To support this work, this is likely to be a need for an increased focus on the evaluation of different techniques. MAS should fund longitudinal and other studies to achieve this.

**Recommendation: MAS should work with debt providers and creditors to promote the adoption of common protocols across the sector in order to raise standards and improve the efficiency of debt advice provision.**

## Improving advice in the commercial debt market

**3.40** The commercial market is changing rapidly as firms adapt to meet the requirements of FCA regulation, or possibly choose to exit the market. MAS has an opportunity to play a complementary role to that of the FCA. While the FCA establishes and updates the regulatory regime, enforcing it through formal powers, MAS could also raise standards by conducting more informal engagement with the market as a consumer advocate.

**3.41** MAS should work closely with firms to share best practice. To give it the ability to do this, MAS will need good market intelligence; it should undertake mystery shopping, research outcomes and seek to gather consumer experiences. MAS should also help ensure action is taken where advisors fall below the standard MAS would expect – supporting them to improve their approach, passing on concerns to the FCA where appropriate, and publishing its own evidence on areas of detriment where it finds them.

**Recommendation:** MAS should work to help raise standards in the wider debt advice market by undertaking mystery shopping and gathering other intelligence, engaging closely with firms, identifying good and poor practice and publishing its findings.

# Consumer education, information and advice:

## 4 MAS's approach to date

### The overall model

**4.1** MAS opted at the outset to establish itself as the “go to” body for money advice. Its model focuses on directing as many people as possible to its website. A “digital first” strategy was chosen by the MAS Board in order to reach as many people as possible; 99% of MAS’s consumer contacts now come through the website. MAS also offers webchat, telephone help and face-to-face guidance. More recently, MAS has developed a network of partnerships through which some MAS content is distributed or consumers directed to the MAS website.

**4.2** In line with MAS’s model, 76% (£33 million) of its £43 million consumer education budget this year will be spent on the provision and promotion of its Money Advice Service. Strategic coordination and research, including work on a UK Financial Capability Strategy, will account for 10% (£4.2 million). These figures exclude running costs of £5.8 million.

**Table 4.A: Financial Consumer Education Budget 2014-15**

Activity	Budgeted cost (£m)	% of financial consumer education budget
Development and provision of advice (web, phone and printed guides)	17.85	41%
Marketing, promotion and partnerships <sup>1</sup>	15.19	35%
Strategic coordination and research	4.22	10%
MAS running costs	5.8	14%

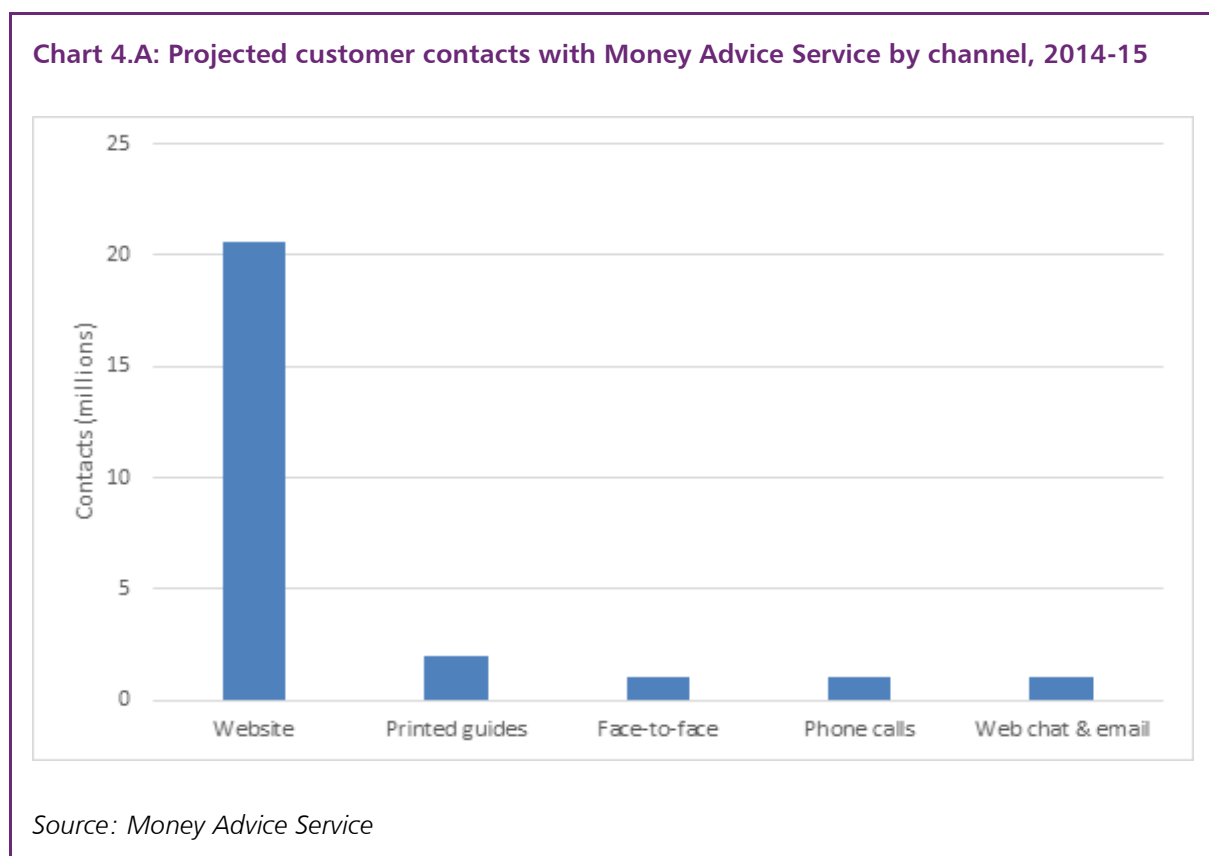
*Source: Money Advice Service*

**4.3** MAS sees its mission as improving the financial resilience of the UK population, which it defines as ‘the ability to cope with, recover from or adapt to the financial impacts of a change in circumstances or make financial decisions like buying a home or a car’. MAS sees resilience as a key part of ‘financial wellbeing’. MAS aims to achieve this by encouraging people to budget appropriately and purchase financial products that help manage risk and provide income smoothing.<sup>2</sup> In practice, much of MAS’s focus is on helping people avoid getting into debt, for example through weekly budgeting and building a savings buffer.

**4.4** MAS believes that some 10.2 million people are not fulfilling such outcomes and these are its target consumers. They are mostly young couples and singles, and low to middle income families. MAS has evolved its core target audience to include individuals at key life stages (for example buying a house).

<sup>1</sup> MAS considers categorises partnerships under the provision of advice, however, the Review has included this within MAS’s marketing and promotion of the service. While some partnerships carry bespoke MAS content, many serve to drive people to the MAS website.

4.5 Chart 4.A shows MAS uptake data for the different channels offered.



## The MAS website

4.6 Overall, MAS has spent around 45 million<sup>3</sup> developing and running its website to-date. The site is broad and deep - containing 28 tools, 77 videos, 300 news items and 650 articles.<sup>4</sup> The content covers a wide range of topics from general pre-borrowing advice, to will writing, to different care funding options, to buying a car.

4.7 MAS has an in-house team of web developers, supplemented by contractors where MAS considers it necessary to bring in additional skills or provide extra manpower. MAS places particular emphasis on its tools, for example a budget planner, and develops tools on priority topics based upon analysis and stakeholder feedback. MAS will spend around £10 million on its website this year including content development and a *pro rata* share of overheads and insight / research. The MAS website tends to focus on the fundamentals of each topic and stays well short of the regulatory boundary for generic advice. Popular tools include the mortgage calculator, loans calculator and the pensions calculator.

4.8 MAS aims to help people going through a major life event, like a redundancy, or before they make a major financial commitment in order to help them 'stop and think' about the full

<sup>3</sup> This figure has been subject to discussion between the Review and MAS. MAS calculates website costs to be £35m, including technical and content development and apportionment of overheads to its five main delivery channels (website, partnerships, face to face, phone and printed guides). The difference between the MAS and Review figures is largely accounted for by three assumptions:

- Taking account of MAS's digital first strategy, the Review has assumed a somewhat higher allocation of staff and overheads to digital than MAS;
- MAS incurred £4m redundancy costs in 2011-12. As staff were let go to make way for MAS's digital first strategy, the Review considers more of these costs to be included in the overall costs of web delivery; and
- The Review would consider web chat to be part of MAS's web delivery service.

The Review believes that to provide further transparency in this area, it would be helpful for MAS to report costs in greater granularity and sought to ensure more consistency between years' business plans. Inclusion of staff costs within budget line items is a helpful development in this area.

<sup>4</sup> Money Advice Service

implications of financial decisions. For example, MAS states that its guidance about buying a home isn't just about mortgages, but also about the full costs of stamp duty and ongoing costs of running a home.

## MAS phone, face-to-face and webchat guidance

**4.9** Fewer than 1% of MAS's direct to consumer contacts are delivered face to face, by phone or by webchat through contracted delivery partners.<sup>5</sup> These services focus particularly on budgeting and benefits, and many users are referred by MAS partners such as DWP.

**4.10** This year, the MAS helpline is expected to deal with 82,000 calls. Since October 2012 MAS has offered a webchat service and some 20,871 web chat sessions have taken place so far this year. Uptake is growing at 10% pa.

## MAS marketing

**4.11** MAS currently spends around £15 million per annum on marketing and partnerships. MAS promotes its brand and its service as 'free & impartial money advice, set up by government'. Until 2012-13, MAS's marketing was almost entirely aimed at driving people to its services. MAS's focus has now broadened to include some public education campaigns. MAS notes the aim of its current marketing is to get people going through life events to think through financial consequences, and more broadly to encourage unengaged people to 'stop and think' about their money and change their behaviour. This is well illustrated by contrasting the 'Ask MA' with the 'Save £3 per day' campaign.

### Box 4.A: Examples of recent Money Advice Service campaigns

#### ASK MA (2013-14)

MAS aimed to encourage people to visit the MAS website by exhorting them to 'Ask MA'. The campaign ran for 4 months and cost £1.35m, using TV and radio advertising. Over the period when the campaign was most concentrated, prompted awareness of MAS rose from 43% to 49% and web visits increased from 1.1m to 2.3m.

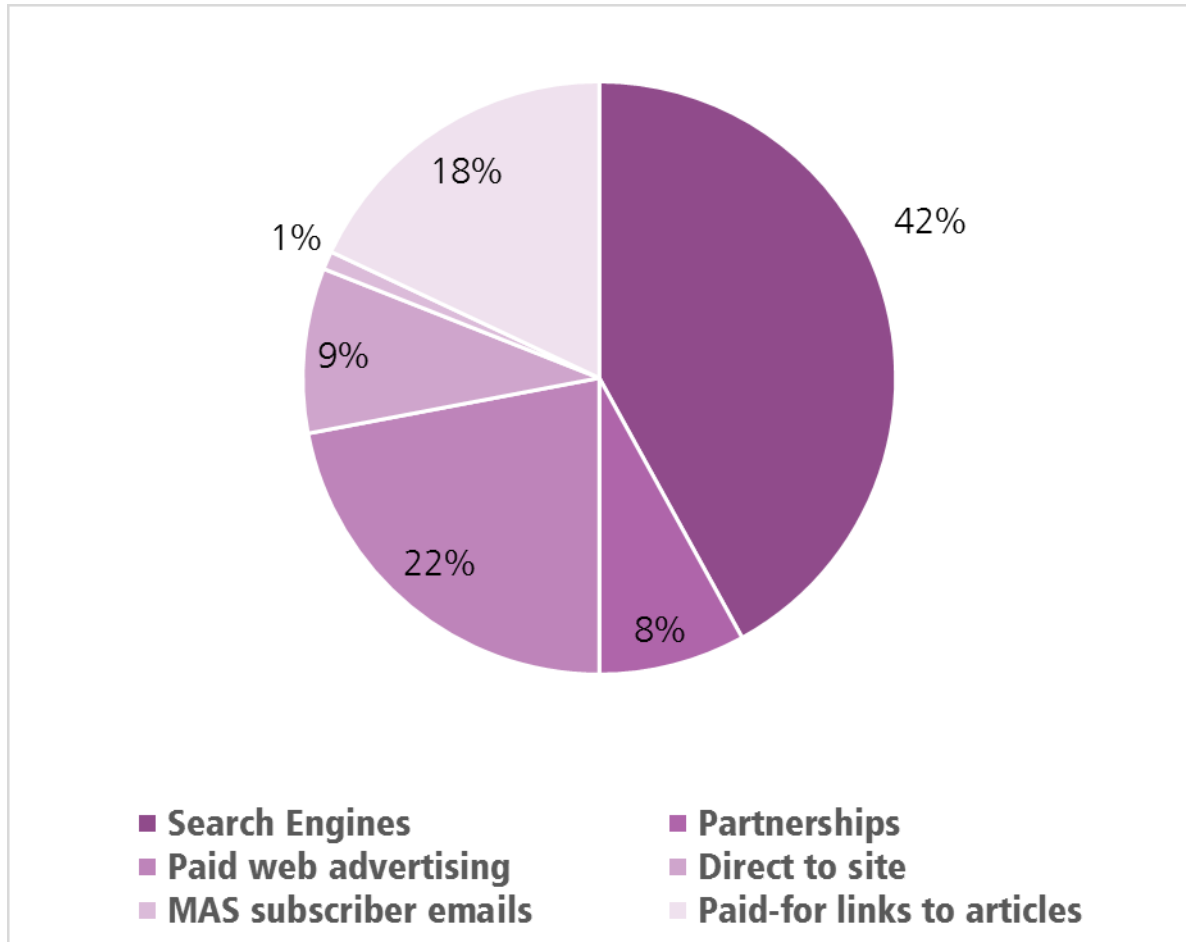
#### Save £3 per day campaign (2014)

MAS aimed to encourage people to save a small sum every day to cover unexpected bills. The total campaign cost £432,200, reaching 27% of UK adults through radio and 54% through the press. Unfortunately MAS doesn't have data to determine how many people took up its challenge as a result of the campaign.

**4.12** Paid-for online advertising delivers around 40% of traffic to MAS's website; the rest comes from routes that MAS doesn't pay for, such as people arriving at the site via search. In practice, TV and radio advertising is likely to lead some visitors to the site directly. MAS is looking to reduce its costs through Search Engine Optimisation – technical and content developments to make the site feature more highly up the page in internet search results. MAS's focus on reducing its marketing costs is starting to have some impact – for example 42% of people now arrive at the MAS site through search engines, up from 32% last year.

<sup>5</sup> Contracted delivery partners are A4e, Citizens Advice Cymru, Citizens Advice Scotland and MAS's telephone supplier Turn2Us

Chart 4.B: Sources of traffic to moneyadvice.org.uk (Apr 2014 – Oct 2014)



Source: Money Advice Service

4.13 MAS notes that its PR activities also drive people to its website, and that these require a well-recognised brand to be effective. By summer 2014, MAS had generated 419 pieces of media coverage and 41 million opportunities for people to see its content.

4.14 MAS has arrangements in place to boost traffic to its website and distribute its content through a range of third parties which it calls 'partners'. 290 such arrangements have been established and drive 8% of MAS's website traffic; 108 also host some MAS content. MAS's other partnerships aren't paid for directly, but MAS invests in a range of materials including bespoke content and printed publications. MAS's total spend on partnerships this year will be £1.94 million.

### MAS's wider role

4.15 MAS has sought to influence others who promote financial capability by leading work on a Financial Capability Strategy for the UK. This project began in late 2012, with a draft strategy published for consultation in September 2014. The strategy first establishes the factors that the MAS-steered group considers to influence financial capability, which include the level of financial services' inherent ease of access, and people's mind set and capability. The strategy makes high-level recommendations around particular groups – children and young people, preparing for later life, older people in retirement, and people with financial difficulty – together

with some broader areas of focus – ease and accessibility, influencing social norms, and evidence and evaluation.<sup>6</sup>

**4.16** MAS also undertakes and publishes consumer research. MAS has spent £11.3 million to-date<sup>7</sup> on research and has published 15 reports covering financial capability in the UK, debt and debt advice, and financial education for young people.

## Devolved regions

**4.17** MAS adopts a tailored approach to Scotland, Wales and Northern Ireland, all of which have distinct programmes of work and strategies in support of financial capability. MAS has a dedicated manager for each devolved nation in support of this, who works closely with relevant stakeholders.

**4.18** MAS’s website and its phone and webchat lines are available nationally, with a Welsh language option available. MAS also contracts for face-to-face advice in each nation.

## How MAS measures its effectiveness

**4.19** MAS measures its effectiveness through a set of Key Performance Indicators which it refreshes each year.<sup>8</sup>

## How effective is MAS?

**4.20** This Review has assessed the effectiveness of MAS’s approach to achieving its statutory remit, which is set out in paragraph 1.3 of this report.

**4.21** MAS’s statutory objectives are enhancing the understanding and knowledge of members of the public about financial matters and the ability of the public to manage their own financial affairs. MAS interprets ‘enhancing the ability of the public to manage their own financial affairs’ as a requirement for it to seek to effect behavioural change. MAS has stated that it is the only organisation – independent and with government backing - in a position to do this.

**4.22** We would question whether bringing about behavioural change is required under MAS’s statutory remit. There is much evidence that the best outcomes for consumers in financial services are achieved through helping them at the point they make decisions, rather than through broader attempts at behavioural change. Financial resilience – a major focus for MAS – could be one element of managing financial affairs but the wider population’s needs are much broader if they are to make effective use of the financial services market. Financial resilience appears to us to be more a natural extension of MAS’s debt advice remit – helping people to avoid problem debt through budgeting and income smoothing. MAS’s consumer financial education work should focus on people’s wider financial services needs.

**4.23** We would also question whether MAS is genuinely uniquely placed in this regard. People naturally turn to intermediaries, the media, and others whom they trust for advice. None of these are completely ‘independent’ but many offer a great deal of help and useful information and advice. More vulnerable consumers can also turn to Citizens Advice or other organisations set up to support them.

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<sup>6</sup> Draft ‘UK Financial Capability Strategy’, Money Advice Service, 2014

<sup>7</sup> Money Advice Service

<sup>8</sup> ‘Business Plan 2014/15’, Money Advice Service

## Does the 'website backed by marketing' approach work for consumers?

4.24 For MAS's model to be effective, there has to be a need for a MAS website, people need to have confidence in it, and using the site must make a difference to how they subsequently behave.

### Need for the MAS website

4.25 Since MAS was established, there has been considerable growth in the availability and use of online information and generic advice on financial services. The broad areas of guidance that MAS offers are now largely available elsewhere. For illustrative purposes, Table 4.B demonstrates the extent to which popular MAS tools are duplicated elsewhere and Annex E summarises other websites covering similar content to MAS's.

**Table 4.B: Duplication of popular MAS tools**

	Mortgage	Loan	Budgeting	Pensions
Age UK	-	-	- (link to MAS)	X
Barclays	X	X	X	X
Citizens Advice	- (link to MAS)	-	X	- (link to MAS)
CompareTheMarket	X	X	-	-
Confused.com	X	X	X	-
Fidelity	-	-	X	X
Go Compare	X	X	-	-
Halifax	X	X	X	-
HSBC	X	X	X	X
Lloyds Bank	X	X	X	X
lovemoney	X	X	X	-
MoneySavingExpert <sup>a</sup>	X	X	X	X
moneyfacts	X	X	-	X
MoneySuperMarket	X	X	X (manual)	-
Nationwide	X	X	X	X
NatWest	X	X	X	-
RBS	X	X	X	-
Santander	X	X	X	-
TESCO Bank	X	X	-	-
The Co-operative Bank	X	X	X	-
This is Money	X	X	X	X
Which?	X	-	- (link to MAS)	-

Source: MAS Review

<sup>a</sup> Money Saving Expert is owned by MoneySuperMarket although the two operate separate websites

4.26 As can be seen there is a high degree of duplication between MAS and other websites which offer content on financial issues. Even taking the range of MAS content (from loan explanations to student budgeting, bereavement and mortgage guides), we found that similar

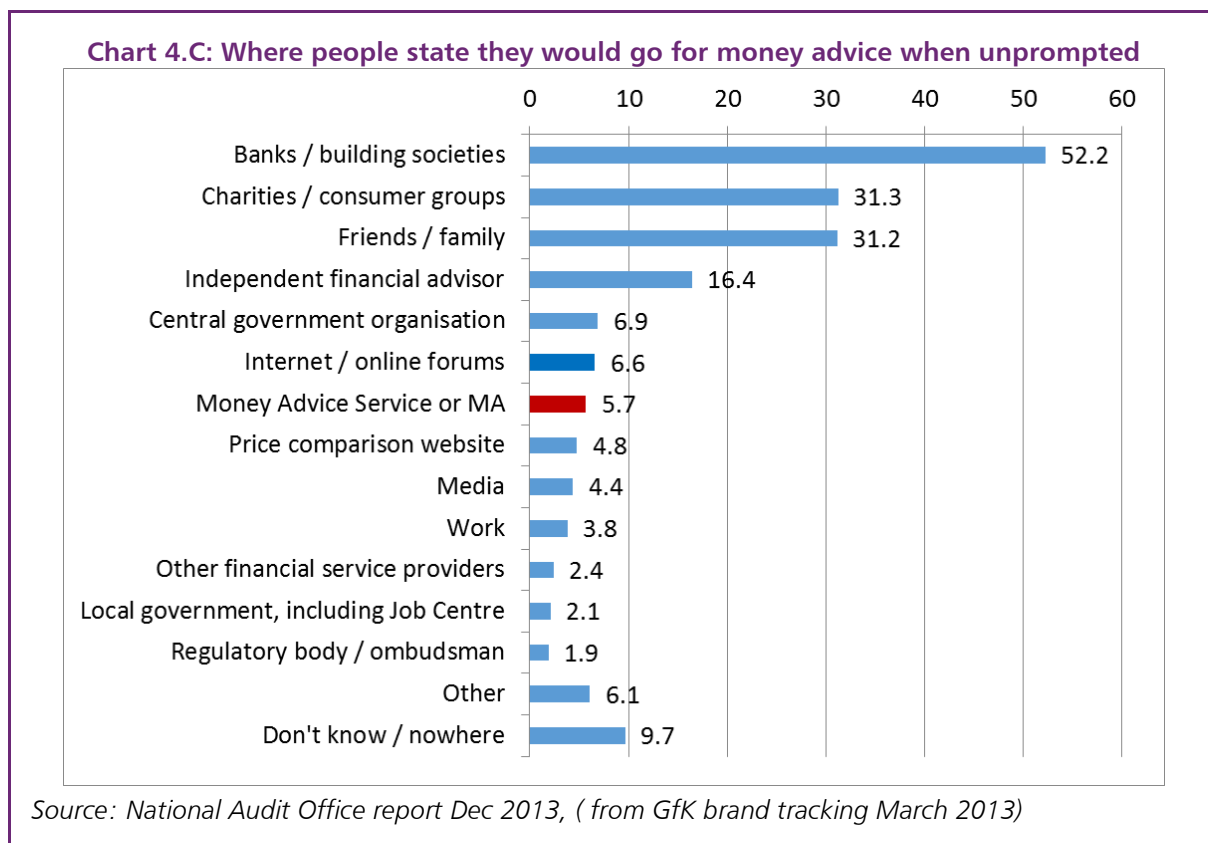


material could easily be found on other sites such as MoneySavingExpert, This is Money, Citizens Advice, MoneySuperMarket and MoneyWise, together with banks and building societies.

**4.27** This is not to say there are no gaps in the provision of content, nor that for example the tools are identical. There are also well-documented concerns with some commercial tools, for example price comparison sites<sup>9</sup>. However, there are plenty of websites providing helpful and educational content that people turn to as a matter of course. We describe in Chapter 5 how MAS's could be looking to raise standards of such provision – by ensuring explicit recognition of commercial interests, for example, or encouraging the filling of gaps where this is necessary.

**4.28** We question whether a body like MAS, even with further significant marketing spend, can ever – or should even – seek to compete with the wide range of other bodies who already have trusted brands and extensive consumer reach. These are the places that consumers mainly go if they want advice on their money, as demonstrated by the NAO in their December 2013 report and reproduced in Chart 4.C.

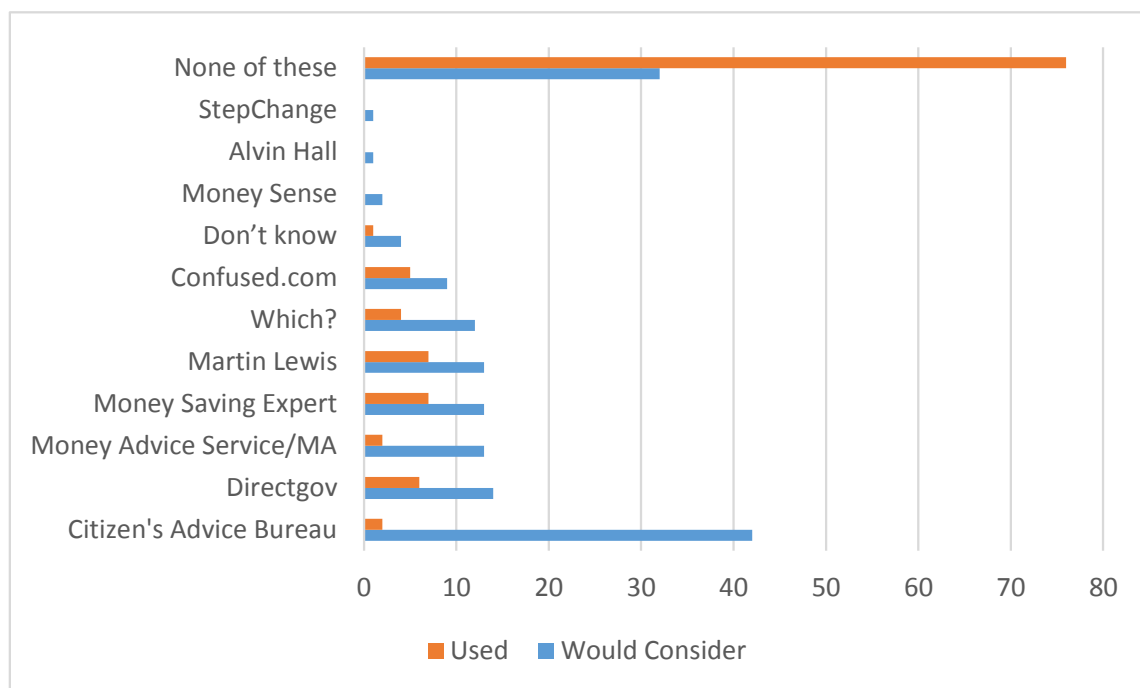
**4.29** The NAO report demonstrates the very significant power and reach of existing bodies including banks and building societies, regulated financial advisors, internet forums, charities and consumer groups. In practice consumers are gleaning information and advice from an ever-growing range of sources through online search engines. MAS is having to compete in what is already a well-populated marketplace with sites that have more extensive reach than MAS.



**4.30** MAS also tracks the extent to which people would use its service compared to other Money Advice Brands. This data (shown in Chart 4.D) shows consideration of MAS to be on a par with many others, though actual use of the service is lower.

<sup>9</sup> See, for example 'FCA TR14/11 - Price comparison websites in the general insurance sector and Competition and Markets Authority Private Motor Insurance Market investigation', Financial Conduct Authority, September 2014

**Chart 4.D: Consideration and use of money advice brands**



Source: MAS Quantitative Evaluation and Brand Tracking Research: Ask MA (Wave 23), October 2014  
 Survey asked "Which of these organisations would you consider if you wanted help or information about how to manage your money and finances? And which of these sources of help or information have you used in the past 6 months?"

**4.31** Other recent MAS survey data shows that people are more likely to turn to a charity or other internet sources for advice and information than to MAS. The data also suggests that a number of other sources are more likely to be trusted by the public. This is illustrated in Chart 4.E.

### Generating traffic to the MAS website

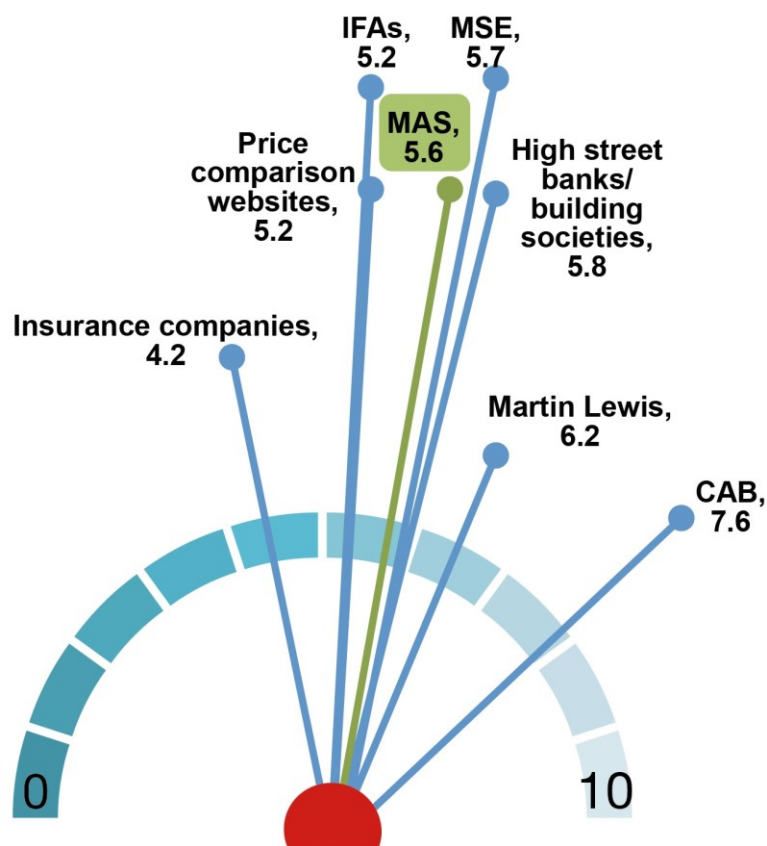
**4.32** MAS reports an unprompted awareness level of between 5 and 10%. Unprompted awareness is considered by many experts to be the best indicator of brand recognition. MAS notes that it does not exist in an easy-to-define product category that enables people to answer this question easily and that the nature of its generic brand name may exacerbate this.

**4.33** This year the Review commissioned ICM to undertake an independent survey based on a representative sample of 2046 adults across Great Britain by means of face to face interviews (see Annex F). The survey ran during the period when a MAS television campaign was taking place. The results showed that 46% adults recognised the MAS logo when prompted, compared with 79% recognition for the Citizen's Advice Bureau and 71% for Which? Recognition of the Financial Ombudsman Service (FOS) was 51% and the FCA 36%. MAS's own brand tracking reports that its prompted brand awareness has grown from 23% in August 2012 to 49% in January 2014 as a result of its campaigns.

**4.34** This shows MAS campaigns have had an effect – at a time when MAS's annual marketing budget has come down from £20 million to £13.3 million over the last 3 years (excluding partnerships). It is likely that considerable spend will continue to be needed in future if a MAS consumer brand is to be maintained in the public consciousness (especially one that doesn't sell desirable consumer goods). Peter Field, a well-known brand and marketing expert, told the

Review that MAS would need to continue to spend a significant budget on marketing to maintain share of mind and share of consideration if it continues with its current business model, especially when the total retail financial services sector’s marketing spend is over a £1 billion per year<sup>10</sup>.

**Chart 4.E: Who consumers trust for impartial advice**



Source: MAS Quantitative Evaluation and Brand Tracking Research: Ask MA (Wave 23), October 2014

<sup>a</sup> Survey asked: "On a scale of 0-10 where 0 is not at all and 10 is completely, how much do you trust each of these to give you impartial and unbiased advice?"

### User experience of the MAS website

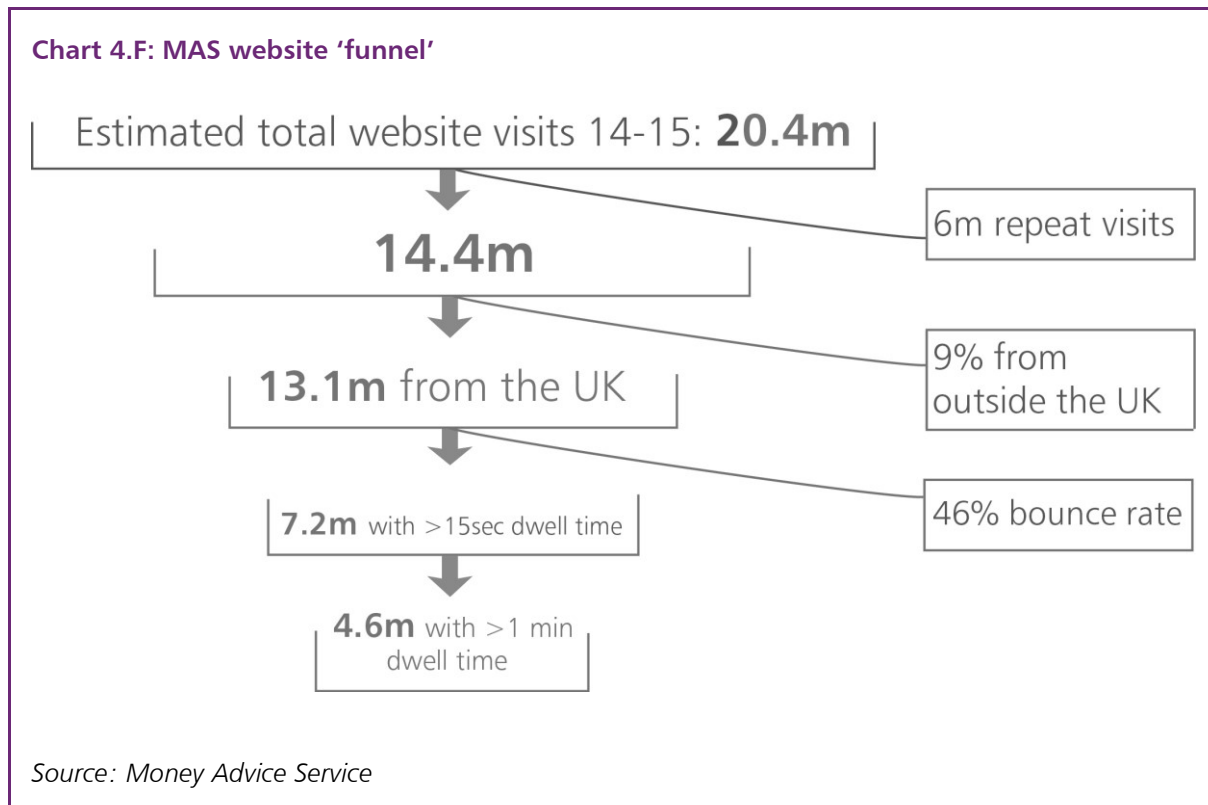
**4.35** MAS encourages visitors to its website to register and, as the NAO identified, user registration rates can be a useful indicator of customer engagement. The NAO noted in 2013 that the proportion of unique visitors who registered with the service was low, with fewer than 0.5% of MAS visitors choosing to register. Registration remains low with 0.4% visitors registering in April- December 2014.

**4.36** MAS asks website users to complete an online survey. At present 3% of users complete this survey. Of these, 63% report that MAS helped them to decide on a course of action, 85% state that the site provided them with the help they needed, 90% would revisit the service and 87% would recommend it. These figures are, however, drawn from the same self-selecting sample who complete the MAS survey and who may be likely to be predisposed to believe they had spent their time valuably by visiting the site.

<sup>10</sup> Nielsen

## Does the MAS website promote consumer understanding and capability?

4.37 MAS highlights that it expects at least 20 million “customer contacts” to its website in 2014-15. Analysis of the April to October data suggests it is on track to achieve this, as during this period MAS received 11.9 million user contacts of which 99.1% were to the website. This is not, however, the best estimate of the website’s reach. If current rates continue, the number of UK contacts in 2014-15 who stay on the site for more than 15 seconds will be 7.2 million and those who stay a minute or more will be closer to 4.6 million. The diagram below explains why.



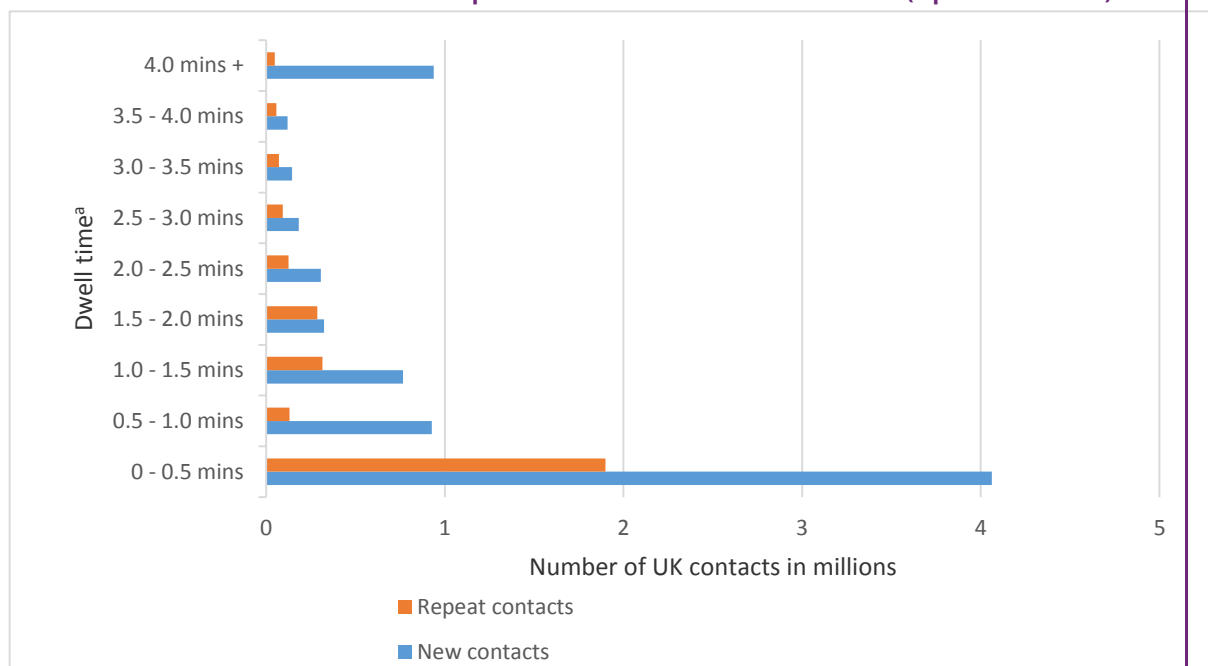
4.38 How long customers spend on the site (dwell time) is likely to be an important indicator of whether or not the website is being effective in promoting consumer understanding and changing consumer behaviour. Chart 4.G shows the length of time visitors remain on the MAS website. MAS considers visitors who spend less than 15 seconds to have “bounced” – or in other words to have had insufficient time to engage properly with the site. This is consistent with market practice. If MAS to trying to achieve its stated aim of behavioural change, then visitors would probably need to stay considerably longer for example a minute or more.

4.39 MAS collects additional usage data. For all contacts April – December 2014:

- 11.7 million articles have been viewed, with the most popular topics being living and budgeting on a low income, car costs and home and moving costs
- 941,000 customer referrals to other websites have been made, including over 30,000 referrals to free debt advice websites
- just over 2 million users have completed tools, a 28% increase on the previous year. The most popular tools have been the mortgage calculator (578,005), the mortgage affordability calculator (280,644), the stamp duty calculator (225,737) and the loan calculator (189,037)

- 85,000 videos have been viewed, with the most popular ones being 'beginner's guide to managing your money', 'what is universal credit', 'should you overpay your mortgage' and 'how to choose a bank account'.

**Chart 4.G: Dwell times of new and repeat UK contacts to MAS website (Apr – Oct 2014)**



Source: Money Advice Service

**4.40** MAS seeks to estimate how many actions have been taken as a result of visiting the site. MAS estimates<sup>11</sup> that 76% of users have taken at least one action following their visit and that users take 1.92 actions on average. MAS has yet to publicly quote these figures as they are an early stage assessment based upon two months' survey data, however they relate to the number of individual money management actions which is a MAS KPI.

**4.41** MAS has put considerable resources into making its estimates as robust as possible – however, we are not convinced of the robustness of the claims for two reasons. First, MAS's actions survey is drawn from a sample of people more likely than ordinary users to be highly engaged website users, and secondly data from a control group surveyed by MAS hints that at least some non-MAS users will have taken action anyway. Despite extensive discussions with MAS – who acknowledge some uncertainty, we continue to lack confidence in the figures. We discuss this in more detail in Annex G.

**4.42** To provide an independent perspective on this data, the consumer research commissioned by the Review asked the 44% of respondents who were aware of MAS whether they had contacted MAS. 4% responded that they had, which would translate to 2% of the UK adult population or just over 1m people. The survey also asked respondents who had visited the MAS website whether they had taken action as a result. Given the very low numbers who had used MAS, the numbers are too small to be statistically significant but we record them here. Of the 13 respondents who had visited the site, 8 had taken no action and 5 had done so.

**4.43** To-date no randomised sample survey data of MAS users has been collected to assess whether, after using MAS, consumers have behaved differently with respect to financial services

<sup>11</sup> Every six weeks, MAS commissions through GfK a survey of users who have recently visited the site and have had had time to take actions.

because of greater understanding. Whilst we recognise the difficulties with this sort of research we are surprised that there has been no attempt, over 4 years, to undertake a tracking study of this kind. Without this it is impossible to tell whether the MAS website has made a meaningful difference to people's lives.

## **Conclusion**

**4.44** Given the mixed user experience associated with the MAS website, and the relatively unconvincing evidence of the value it adds, there would need to be a strong case based on need for the site to continue in its present form. We do not consider it to be good value for money for MAS to develop and publish content that is widely duplicated and available elsewhere. It is also possible that a broad ranging and well-resourced public service provider like MAS may be crowding out others and reducing incentives for innovation and new approaches that could benefit consumers.

## **How effective are MAS's other channels?**

**4.45** The MAS helpline is forecast to deal with 82,000 calls this year at a cost of just over £1 million. Users are largely referred by partners such as the Citizens Advice Service and the Benefits Service. A range of money advice queries are dealt with by the helpline but the largest categories are either about debt related issues and general borrowing (32.5%), or welfare and benefits matters (12.5%). The supplementary webchat service has low uptake but is growing.

**4.46** The MAS face to face service, provided mainly by Citizens Advice Bureau and others under contract with A4e is expected to provide over 100,000 face to face 'money advice' sessions this year at a cost of c. £7 million. The advice tends to cover basic money management and weekly budgeting. We consider that such service provision would be better managed as part of MAS's work on debt advice (see Chapters 3 and 5).

# Strengthening the model: helping consumers make better decisions

## 5

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### Fit for the future

**5.1** Since its inception, MAS has undertaken two main roles under its financial education remit – providing strategic leadership to organisations working to improve financial capability, and delivery of a service providing information and help to consumers. We have looked carefully at both aspects of MAS’s work.

**5.2** MAS’s focus has been strongly on the service delivery aspect of its role. Its rationale has been that its service is the only government-backed truly independent source of help that is on the consumer’s side – and that its website provides a repository of information that consumers need. MAS has also focused increasingly on trying to change consumer behaviours to encourage financial resilience.

**5.3** We have considered a number of options for how and where MAS should focus in the future under this remit. The options can be broadly defined as:

- status quo – MAS delivers directly or commissions a service, and maintains its high-level strategic coordination of the financial education and advice sector. Incremental improvements to both are made
- status quo reformed – MAS’s delivery role is somewhat pared down as is its marketing spend, which has been subject to particular scrutiny. Incremental improvements to MAS’s coordination role are made
- MAS as strategic hub – MAS enhances its role in strategic leadership of the wider landscaper and focuses its direct delivery / commissioning role on where there are clear gaps that need to be filled
- MAS as coordinator – MAS enhances its strategic leadership role in the wider landscape, and withdraws from direct delivery

**5.4** We considered a number of issues in appraising these options. These included:

- consumer need and how well the market is currently meeting that need
- the balance between MAS seeking to be a main provider of information and advice to consumers and working to make other trusted providers improve their offerings
- consumer behaviour – how people take decisions and who they turn to for advice
- the need for information and advice from a statutory body
- the need to maximise value from a public levy

**5.5** We also considered what lessons could be learned from the way in which MAS has undertaken its debt advice role as a facilitator, an enabler and a strategic coordinator.

**5.6** To-date, MAS has focused principally on developing its own service. We are agnostic in principle about the balance of MAS's activities: its role should be driven by where it can add most value.

**5.7** The evidence shows that people in practice turn to a range of different providers for information and help, including firms trying to sell them products. Consumers need to be able to understand where they are being given impartial information and where they are not – in this regard our view is that having access to government-backed independent information is helpful but not an absolute requirement. The most important thing is that more people improve their understanding of financial services by whatever means – and from the sources they are most likely to go to. The best should not be the enemy of the good.

**5.8** Given the diversity of information provision in a rapidly innovating market, we concluded that MAS's efforts are better focused on ensuring that the wider market meets consumer needs and helps improve understanding and capability, rather than on directing them to a single public sector site. As part of this, there is an important commissioning role for MAS to play where it identifies that the market is not meeting a consumer need, and in some circumstances MAS may decide to fill gaps directly itself. For example, we see a strong case for MAS piloting a more expert Financial Helpline as this is a current gap in provision.

**5.9** There is no longer a need to drive consumers to an expansive MAS website as this duplicates good quality material available elsewhere. There should therefore be minimal spend on marketing, with the website redesigned primarily as a signposting portal to other good quality content.

**5.10** We concluded that our MAS as strategic hub model best fits future need.

**5.11** In parallel with this Review, the government has published details of how it will deliver on its guarantee that individuals with defined contribution pension savings will have a right to free and impartial guidance on their new pensions choices. Following extensive consultation, the government has decided to deliver this guarantee directly.

**5.12** Under the Review's proposed new model, we would see this as particularly necessary and crucial gap filling to address clear market failure. Pensions are a special case where it is vital that consumers are jolted into thinking about their options more widely at the point between accumulation and decumulation, given the potentially multi-decade implications of their decisions. Life companies who provide the accumulation product should not be allowed to ride on consumer inertia to move people into their own decumulation products without consideration of the options available. The guaranteed guidance will help ensure that that happens.

**5.13** In the medium to longer term, it is likely to continue to be inappropriate for life insurance companies providing defined contribution schemes to offer this advice given the risk of inertia, but it is possible that other trusted intermediaries could provide valuable guidance and help to consumers. We would expect a market in such provision to develop over time. Under the new model, MAS would be well placed to quality assure such offerings in the interests of consumers.

## **Helping consumers make better decisions**

**5.14** There is potential for MAS to add a great deal of value for consumers by strengthening its strategic leadership and coordination roles - sitting at the centre of the unregulated information and advice landscape. MAS should seek to become a body that:

- ensures important gaps in the market are filled
- provides a Financial Helpline to fill one of these gaps

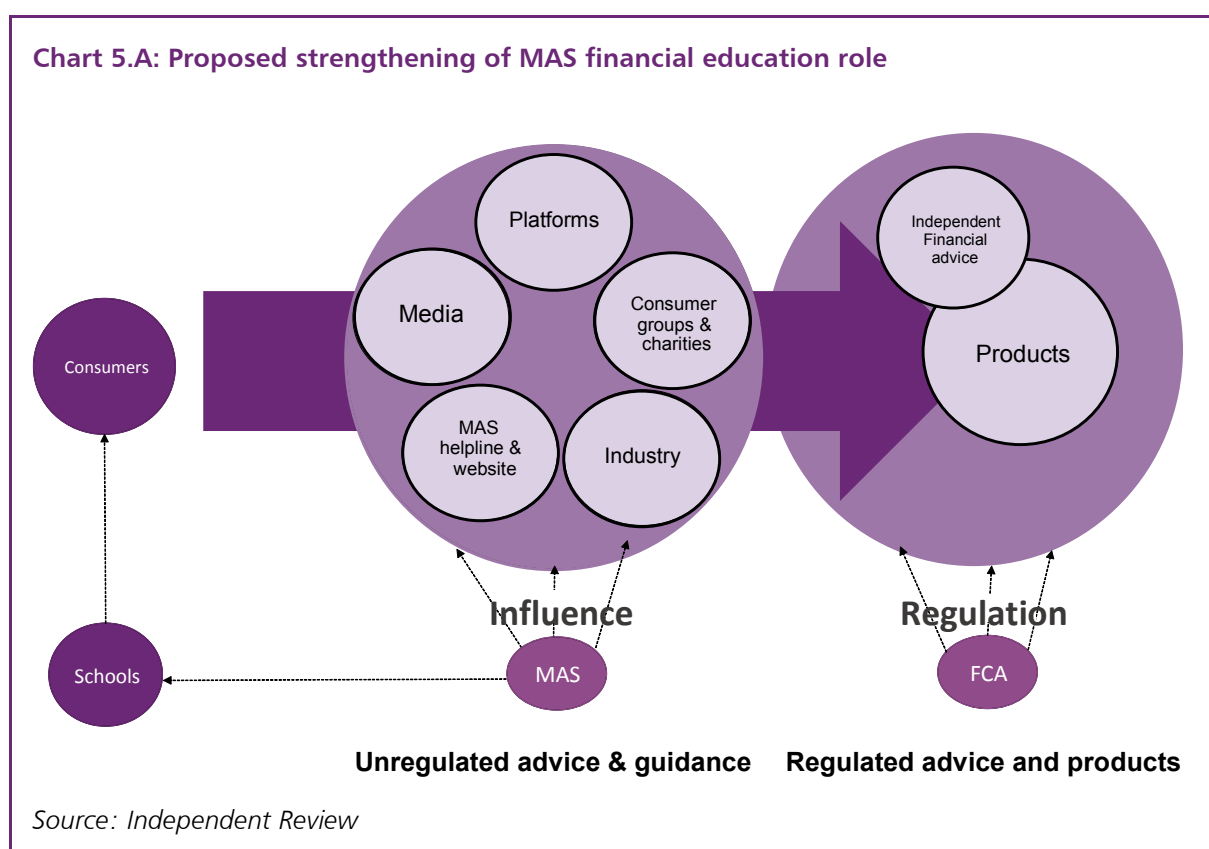


- drives more, and better, financial education in schools
- promotes better consumer understanding through a range of approaches

5.15 To undertake its new roles with credibility, MAS will need to significantly strengthen its position as a centre of expertise on consumer behaviour and understanding in financial services.

5.16 This new model, if implemented, would result in a body that was independent, knowledgeable and influential. It would have a finger on the consumer pulse through its Helpline and through feedback from others, and it would keep its approach under review so it remained effective.

5.17 The Review believes that such a model would be more flexible and adaptable to developments in the environment than the current approach. It would also be more cost effective. MAS’s work here would also sit more coherently with its approach to debt advice.



5.18 We are pleased that the MAS Board recently agreed to move towards a stronger coordination, commissioning and sector leadership role. This is a welcome development. We also note that MAS’s draft Financial Capability Strategy highlights the importance of pulling together knowledge and expertise on consumer capability, of working with the financial services industry to make products and services more understandable and accessible, and of developing simple money management messages that can be widely used and reinforced across the market. These proposals are congruous with ours.

5.19 We recognise that MAS cannot move to its new role overnight and that some elements may require legislative change; we understand that government will wish to give them careful consideration. Where appropriate, we have set out our thoughts to help support the policy development process.

## The new MAS

**5.20** To carry out its new role, MAS will need to deploy a range of tools and approaches. Key to its success will be the quality of relationships it has with the industry, intermediaries, consumer groups, the media and the charitable sector. It will also need a close and developing relationship with the FCA.

### Box 5.A: Guiding principles for the new Money Advice Service

Positioned at the heart of the information, education and advice landscape, the new model should be guided by the following principles when determining its strategic approach and work programme:

- focused - directing effort and resource to areas where it can make a practical difference to consumer understanding and capability and avoiding duplication
- strategic - seeking to leverage the reach, resource and expertise of others rather than doing everything itself
- expert - being the go-to place for insight and knowledge of consumer behaviour and areas where capability has to be improved
- willing to learn from others about what works, and keeping its approach under close review
- nimble, able to flex between a range of tools and approaches
- pro-competitive, trying to get the market for consumer information and advice to work better

## Ensuring key gaps get filled

**5.21** The Review considers that MAS should continue to have a role in funding, commissioning, and, where necessary, delivering information and guidance to consumers – but with an explicit focus on filling gaps or encouraging the market to do so. An example of this is the work MAS is doing to complement the Treasury’s development of pensions guidance; a further gap is likely to be ensuring there is sufficient guidance for people later in retirement as they re-evaluate their finances.

**5.22** In its new role, MAS will need to have a strong understanding of what’s available in the market and where people’s needs aren’t being met. MAS’s role will then be to ensure that important gaps are filled – through encouraging others to do so, by commissioning services or by direct provision itself. MAS will need a modest budget in order to do so.

**5.23** We do not consider it necessary for MAS to make significant further investments in its current expansive website, given the range of advice and information available elsewhere. With regards to the website, MAS’s focus should now be on signposting people to good quality information and helping other providers to improve, rather than developing its own content.

### The MAS website

**5.24** The Review considered a number of options over the future of the MAS website, given MAS’s current focus and the investment made in the site.

**5.25** We concluded that MAS should move to a simpler, slimmed down consumer-facing website; MAS will remain a centre of expertise and some consumers may turn to it as a reference source. The content should be brief and cover the main topics – potentially structured

both around customer need and major product types. MAS will need to condense its content to a relatively small and simple offer that is easy to maintain. Maintaining and promoting a more extensive website would risk being a distraction for the organisation as it takes up its new role, and incur unnecessary cost.

**5.26** To support MAS's new role, the site should maintain a list of, and links to, other providers.

#### **Box 5.B: MAS Website**

The future MAS website should focus on:

##### **For consumers**

- contact numbers for MAS Financial Helpline & debt advice providers
- brief summary information on the main financial services topics with click through links to sources of further information
- a consumer Q&A section
- key messages on MAS coordinated campaigns

##### **For professionals**

- repository of research, discussion papers, and insight
- portal for teachers and schools
- corporate governance information

#### **Transition**

**5.27** Given investment in the website to-date, MAS will want to retain value for the consumer. MAS should make its content available free to any organisation that wants to host it on non-exclusive basis subject to appropriate conditions, for example that access will continue to be free. The objective would be to allow content to be widely available. We recommend that MAS identifies specific content that it is keen to see others adopt and encourages them to do so.

**5.28** Content that has been distributed should be removed, with visitors signposted to where it may now be found. Where the content has been developed with partners, MAS should work with them to determine how best to host it to ensure continued use. Other content should be removed as and when it becomes out of date to avoid misleading consumers.

**5.29** In the short term, MAS should complete its current tasks in support of the guidance guarantee, as requested by the government. Were a similar situation to arise under the new model, the government would have the option of asking MAS to commission such work.

**5.30** Under the new model, marketing spend of £13.2 million per annum cannot be justified; MAS should not need to market its website and other services in the future, as instead we envisage banks, building societies and other retail firms promoting the MAS website and helpline (see below) to customers. This could be done on a voluntary basis but it would be preferable if the FCA were to make rules to require this to happen, as it has done for the FSCS and the FOS.

**Recommendation: MAS should move to the new website model and minimise spend on marketing activity.**

**Recommendation: FCA should make rules to require retail firms to promote MAS's website and helpline.**

### Commissioning, grant giving and wider gap filling

**5.31** We see 3 ways in which MAS can help to fill market gaps. First, it could allocate a modest budget to provide seed corn funding for new or innovative developments in areas of priority need. Not-for-profit bodies would be eligible to bid for funds where they could demonstrate a strong cost benefit case. An example could include the development of specific apps or 'edutainment' tools.

**5.32** Secondly, MAS could encourage commercial intermediaries to develop services, for example, in the post-retirement market where retirees are likely to make further decisions years or decades on from their initial decisions on how to use their defined contribution pots.

**5.33** Thirdly, where MAS cannot persuade others to fill a market gap then it should commission work from experts in the field and secure its distribution.

**Recommendation: MAS should identify gaps in provision and take steps to address them, including through grant funding.**

### Financial Helpline

**5.34** The Review has identified that while there is good alternative provision of web-based information for consumers, no-one currently provides a dedicated expert helpline that can answer consumer questions about financial services and products in a clear, informed and unbiased way. While many people are now comfortable using web channels, a helpline could provide a valuable service to people who prefer to talk to someone rather than search online.

**5.35** MAS currently offers a money advice telephone channel under contract, which in practice focuses mainly (but not exclusively) on debt avoidance. A new Financial Helpline which has the expertise to be able to answer a wide range of questions in greater depth represents a significant change in approach.

**5.36** The Review has established a gap in provision, and many stakeholders concur with this. However, further testing of demand is needed. MAS should therefore start by piloting a Financial Helpline as soon as practicable. The Helpline should be staffed by people with knowledge and experience of retail financial services, and it is possible that the industry could help source a cohort of people willing to help on a pro bono basis. Any such assistance should be welcomed provided standards of impartiality are safeguarded, with MAS adopting a model similar to that of the Pensions Advisory Service. Helpline staff, working to standards set by MAS, should be able to explain different product types and the risks and benefits associated with them, clear up confusions many consumers have with existing products, and help people understand the choices available and next steps they could take. They would not stray into the sphere of regulated advice. The quality of service given should be routinely monitored by MAS.

**5.37** MAS should develop parallel interactive channels that offer digital Q&A services, using the same helpline staff resources.

**5.38** MAS should coordinate closely with the FCA and the FOS in the development of the helpline. Synergies could be exploited if all three bodies agreed respective roles and responsibilities with regard to consumer queries and operated a coordinated front-end triage system whereby generic consumer queries and misunderstandings about financial services were dealt with by the MAS Financial Helpline.

**5.39** MAS should keep development of the Helpline under review. There may in future be synergies with other services such as The Pensions Advisory Service helpline. In due course, technological and market developments may offer more cost effective alternatives.

**Recommendation:** MAS should first pilot and then establish a Financial Helpline and this should be promoted by retail financial services firms. MAS, FCA and FOS should coordinate to ensure effective triage and a 'one stop shop' for consumer queries on financial matters where possible.

## Promoting consumer understanding

### Making financial products more understandable and comparable

**5.40** There remains a clear need for retail financial firms to provide their customers with more understandable product information. MAS should play a stronger role here. FCA research<sup>1</sup> has shown that consumers are more likely to read and understand simple bite sized chunks of product information in very plain English. Such information should be set out in a clear and concise way and cover the 'must know' product features. It should be presented in a way that allows people to compare across providers. Products often fall considerable short of this standard.

**5.41** Sitting outside the formal regulatory space, MAS is well placed to work in partnership with banking, insurance, asset management and consumer credit sectors to improve the clarity and simplicity of retail product information. Educating consumers to understand products can go so far, but without complementary efforts to make products more understandable its impact will be limited. MAS should work with the industry on the following:

- **provision of clearer information.** A simple example, where a small intervention could help consumer understanding, is the format of typical bank statements which present the amount of money in the account as a 'balance carried forward', a term that MAS research shows many consumers do not understand
- **making products more comparable.** MAS is well placed to promote the comparability of competing products by encouraging the adoption of common definitions, language and presentation of key information in a way that works for consumers

**5.42** There is the potential for MAS to go further. Over the years successive governments have sought to drive the development of 'simple products' to help make retail markets work better for consumers.

**5.43** MAS could play a useful role here as an independent 'honest broker' and coordinate industry solutions. MAS would need to engage closely with retail firms, consumer bodies and the FCA on this work.

**Recommendation:** MAS should work with industry sectors to simplify consumer information about products and help make product features more comparable. MAS should commit to a small number of such projects a year to sustain momentum.

## Promoting good quality advice and information

**5.44** As discussed in earlier chapters, people glean information and help on financial services from a wide range of sources and the market is developing rapidly. There is some excellent information and help available; conversely there are more dubious sources ranging from sites

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<sup>1</sup> 'Guidance Consultation - Retail Investment Advice', Financial Conduct Authority, July 2014

that don't adequately disclose conflicts to out-and-out scams. A further issue is that many commercial providers may provide good advice, but there may sometimes be an overt or implicit link to a sales process.

**5.45** MAS's approach to-date has been largely to direct people to its own website – over which it has complete control and which it can be confident is independent. We discuss above why we believe this model to no longer be appropriate.

**5.46** However, there is an important role to be played. Generic information and advice lie outside the scope of FCA regulation and no independent validation of sources and providers is available to help guide consumers to better providers, nor is there any incentive for providers to raise standards. Given the importance and breadth of this market, rather than attempt to fulfil all needs through its own site, MAS would add significant value by acting as the 'guardian' of quality for the whole range of other providers. We believe MAS should fulfil this role by identifying good quality provision and signposting consumers to it.

**5.47** For a public body funded by levy to take on this role, its judgements will need to be fair and robust. MAS should therefore develop a considered view, based on its knowledge of consumer needs and consumer understanding, of what constitutes good quality consumer information and guidance. It should develop, and consult over, a clear set of consumer-oriented quality criteria – see the box below for an example of what these might cover. There are good precedents in developing such criteria, for example the FCA recently set standards for the pensions Guidance Guarantee, Ofgem has criteria by which it accredits energy switching websites under its Confidence Code, and Which? and its predecessor the Consumers Association have operated an accreditation model for consumer goods and services for many years.

**Box 5.C: Potential Money Advice consumer oriented quality criteria**

- clarity and simplicity
- honesty and balance
- availability and ease of use
- openness about commercial model (where relevant)
- comprehensiveness (where products are compared)
- clarity on risks, benefits, costs and charges

**5.48** MAS could apply the criteria to information and guidance offerings in the financial services market and list the providers which meet the criteria on its website. Providers could also be allowed to carry and promote a MAS Quality Mark.

**5.49** In making its assessment of market offerings it is inevitable, even with a strong set of quality criteria, that MAS will need to exercise judgment in determining where to draw the line on who is a 'good' provider. We recommend that MAS establish an Expert Advisory Panel to assist with this process, and also undertake its own 'mystery shopping'. MAS should develop mechanisms for appeal and ensure accreditations are kept up-to-date. In due course, MAS could establish a feedback facility via social media to enable consumers and others to input views.

**5.50** The benefits of such an approach would be:

- it would facilitate industry agreement and understanding of what represents good practice in consumer information and guidance provision
- it would fit more closely with consumers' actual behaviour, improving the quality of the sites they naturally go to – some of which are highly innovative - rather than trying to direct them to the MAS site
- providers would be encouraged to improve their content in order to receive a 'Quality Mark'
- the Mark would help consumers quickly identify trustworthy information about financial products

**5.51** We believe that MAS would be able to introduce such a model under its existing remit and new legal powers are not required. However, this is a significant new role for MAS and the government may want to consider introducing clearer statutory powers. It has been suggested that this could amount to quasi-regulation but our view is that it doesn't go that far – MAS has no supervisory or enforcement powers and application for listing and the Quality Mark would be optional.

**5.52** In order to encourage the take-up of any accreditation scheme, MAS would need to promote it widely, working with consumer bodies, financial services providers and the media.

**5.53** In time MAS could consider outsourcing assessment of providers in order to focus on more strategic coordination; this would be subject to considerations of potential conflicts of interest.

**5.54** MAS should also work behind the scenes to identify websites and information providers which in its view, risk confusing consumers or compounding consumer misunderstanding. MAS should offer support to such organisations to help promote improvement. Where MAS is unable to persuade them to modify their approach it should draw attention to areas of poor practice.

**Recommendation:** MAS should drive quality, innovation and good practice in consumer information provision through a range of approaches that encourage information and guidance providers to adopt good practice.

**Recommendation:** MAS should establish consumer-oriented quality criteria and a panel of independent experts, list providers on its website, and explore the feasibility of awarding good providers with a MAS Quality Mark; the government should consider whether it is necessary to clarify MAS's statutory powers in this area.

### Ensuring consumer awareness on key issues

**5.55** There are a number of generic issues in financial services where it would pay dividends if coordinated campaigns were mounted to raise public awareness. Examples include preparing people for upcoming challenges such as potential mortgage rate rises, promoting rainy day savings, and raising awareness of the availability of debt advice.

**5.56** MAS already does work in this area and is well placed to work with consumer bodies, across the financial services industry and with the media to coordinate major consumer awareness campaigns of this kind; MAS should prioritise a small number of such campaigns a year. MAS would seek to ensure common use of language and consistency of message in order to maximise impact. MAS's role should be that of facilitator and coordinator rather than running the campaign directly. However, MAS would have a limited amount of funding to support public relations work, co-development costs, and to assess effectiveness of the campaigns.

**Recommendation: MAS should work with the industry, consumer media and others to facilitate and coordinate consumer education campaigns on key issues.**

### **Supporting financial education in schools**

**5.57** Financial education is now on the national curriculum and significant resource – both monetary and in terms of time – is being invested by financial services firms and others. At present, there is no mechanism to pull together these disparate initiatives, identify best practice, and leverage the resources available to maximise impact. There is also no formal incentive framework for schools themselves, to encourage them to do more in this area. MAS should be able to make a significant difference here, with a relatively modest investment.

**5.58** Clearly it is not for MAS to assume the role of government in setting education policy across the UK. MAS can and should however help ensure that young people can learn how to avoid unnecessary debt, how to manage a budget, and how to save for things they need.

**5.59** We recommend MAS works to achieve the following:

- strategic coordination and quality assurance of the numerous separate industry initiatives in schools by disseminating best practice, providing a forum for collaboration and partnerships and leveraging the combined resource of all players to achieve more, including through the identification and removal of any duplication, and filling of gaps
- providing quality assurance to industry initiatives and applying its behavioural understanding and knowledge of the area to strengthen these, in order to provide confidence to parents and teachers that the initiatives are unbiased and of high quality
- supporting the work of specialist charitable bodies in schools by offering seed corn funding and strategic coordination
- establishing a Schools Portal which pulls together good quality resources to help teachers in the classroom. The Australian Securities and Investment Commission has set a useful precedent here<sup>2</sup>

**5.60** In addition we recommend that MAS establishes a budget for Prize Funds and invites schools to compete for these funds by demonstrating best practice in how they are delivering financial education to their pupils. There could be different categories of award depending upon the type of school, and results could be widely disseminated across the education sector.

**5.61** MAS should set up a small dedicated schools team and allocate a discrete budget to fund projects and award Prize Funds.

**Recommendation: MAS should play a strong strategic coordination and support role in embedding financial education in schools, engaging with the Department for Education and devolved administrations as appropriate.**

### **Further measures**

**5.62** In order to support delivery of MAS's reformed agenda, there are two areas where we consider MAS should undertake further work – developing its role as a centre of expertise and engaging with the FCA and other authorities to promote changes that empower consumers.

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<sup>2</sup> Money Smart Teaching, <https://www.moneysmart.gov.au/teaching>, Australian Securities and Investments Commission.



## An expert body

**5.63** Since start-up MAS has commissioned £11.3 million research into consumer behaviour and understanding in financial services. MAS should build on this and become the acknowledged repository of expertise and knowledge about consumer awareness and understanding. Feedback from its Financial Helpline and web chat will help by providing valuable real time insights.

**5.64** Many other bodies undertake useful work in this area – retail intermediaries, academia and think tanks, and consumer bodies including those working on consumer issues in other markets. MAS should strengthen its relationships with all these players, particularly those with direct consumer reach. MAS should seek to leverage resources available elsewhere and pull together a powerful body of knowledge and insight into what is going on at the consumer interface; where consumers are struggling to understand things; and what tools and approaches work best for consumers.

**5.65** MAS should develop its expertise in behavioural economics, as the techniques now available have a part to play in helping secure better consumer outcomes. As part of this, MAS should coordinate more closely with the FCA, the Financial Services Consumer Panel and the Financial Ombudsman Service. We discuss this further in Chapter 7.

**5.66** MAS should set up a research hub where research findings and insights can be posted. It should publish an Annual Review of Financial Health to enable insight and learnings to be widely shared. It should still undertake research but focus it on strategic gaps and occasional tracking studies. An example of what this might look like is Ofcom’s annual ‘the Communications Market’ report.

**Recommendation: MAS should establish a research hub for sharing insights and publish an Annual Review of Financial Health**

## Advocate of policy change

**5.67** In fulfilling its role, MAS will develop considerable knowledge and understanding of the root cause of problems for consumers, particularly problems caused by poor understanding of products and services available. In some cases better consumer information or guidance will be the answer. But elsewhere the problem may be systemic and may be better addressed by regulatory action or by public policy changes.

**5.68** MAS should use the evidence it garners to engage with the FCA and other authorities and propose how the market could be improved to empower consumers.

**Recommendation: MAS should draw problem issues linked to consumer behaviour and understanding to the FCA and other authorities’ attention where appropriate, and engage with them on the sorts of remedies likely to be most effective.**



# 6 Organisational issues

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## The current organisation

**6.1** MAS currently employs 130 permanent staff in a central London location. Across the organisation MAS has specific expertise in digital content and web delivery, marketing, consumer research and procurement.

**6.2** Average annual base salary per employee is currently £54,400, excluding bonuses. As new staff are appointed, they are appointed on a salary benchmarked against a PWC proprietary database comparing MAS with the FCA, the FOS and the FSCS, and some others.

**6.3** MAS's current budget is £81.1 million and a breakdown of how this budget is spent can be found in Chapters 2 and 4.

**6.4** MAS has been through a period of change and uncertainty over the last two years including a change in Chief Executive and Chair, a Treasury Select Committee Inquiry, a National Audit Office Study and now this Independent Review. These events have posed significant challenge to the organisation's leadership and to the staff, and have made it difficult for MAS to move ahead with certainty. There have been inevitable knock on consequences for the organisation, not least in terms of staff motivation and morale.

**6.5** MAS is to be commended for continuing to develop its approach over the last year or so and for embracing a degree of change. Many stakeholders we met remarked on recent improvements in terms of MAS's external engagement and openness, and its greater willingness to work with others. These developments have been widely welcomed.

**6.6** The draft Financial Capability Strategy published by MAS in September marks a further shift in approach, with MAS recognising that the financial services industry, intermediaries and not for profit bodies all have an important contribution to make in helping improve financial capability in the UK. In addition the MAS Board have recently committed to moving more to a strategic coordination and commissioning role.

## The new organisation

**6.7** Chapters 3 and 5 outline the new role we envisage for MAS in the provision of both debt advice and consumer financial education. Moving to this new role will involve a significant change in strategic approach and a significant operational challenge. MAS would need to embark on a programme of transformation, driven by the Board and the senior leadership team, to move to this repositioned role over the next 2-3 years.

**6.8** We envisage, in due course, that MAS will become a more streamlined and cost effective body. It would be more outward looking and entrepreneurial in style and closer to consumers and the financial services marketplace.

**6.9** If our proposed model is implemented in full then we envisage that within 2-3 years, MAS would need fewer permanent staff and a somewhat different skill mix. MAS would need further expertise in financial services products and consumer behaviour and understanding, but there would be less need for web design, content development and marketing skills. We believe an organisation of the type described in this Review could be staffed by around 50-70 permanent staff, excluding the helpline. This is a high level 'ball park' assessment and further analysis will be needed. We include the estimate at this stage to illustrate that MAS's role will be much more focused on leading and coordinating the sector to take action and doing less directly itself.

**6.10** Following early criticism over pay, MAS now benchmarks remuneration for new recruits against comparator bodies. It is important that MAS challenges itself to benchmark remuneration levels against appropriate comparators, many of which are in the public or third sector, in view of the 'public service' nature of its role. We also recommend that office location be reviewed as it is not essential for MAS to operate from central London.

**6.11** We have considered, in general terms, the likely running costs of the new MAS model. On the debt side this is relatively straightforward as we are not recommending substantive change. On consumer education our estimates are high level and are provided for indicative purposes only. More work will be needed to develop a robust estimate of the new model.

**6.12** Overall we estimate that in the longer term, an annual financial services levy funded budget of between £30m and £40m should be needed for debt advice and prevention work, subject to consumer demand and the extent of voluntary contributions from other creditors.

**6.13** On consumer financial education, where we are recommending a move to a different business model, we envisage a steady state budget by, say, 2016/17 of between £20 and £25 million. In reaching this high-level estimate, we have taken into account other experience: for example The Pensions Advisory Service had an annual budget last year of £7 million (including the nominal value of voluntary support for its helpline), and the now-closed Consumer Focus had an annual budget of £11.5 million. Neither of these are absolute comparators but they do provide useful benchmarks.

**6.14** The difference between our estimate and MAS's current budget of £43 million is largely explained by the significantly reduced need for MAS to fund marketing, promotion and partnerships (current budget £15.2 million), development and provision of advice (£17.9 million), and the opportunity for some pro rata savings on running costs and overheads (current budget £5.8 million). MAS would need to retain a limited amount of funding to cover its PR activity and support marketing campaigns led by other organisations. The actual amount of levy funding would largely depend on demand and unit costs of the proposed Financial Helpline service.

## **Monitoring and review**

**6.15** It is important that MAS develops robust measures to assess its impact and effectiveness as it moves into this new role. A new set of KPI's should be developed in line with the Review's recommendations and the outcomes set out in the concluding chapter of this report.

**6.16** No one can accurately predict the future and MAS may find that some approaches work better than others. Constant evaluation of its performance, including being open and responsive to feedback, will be important.

# 7 Relationship with the 'regulatory family'

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**7.1** The regulatory framework for financial services in the UK gives discrete roles and responsibilities to particular bodies in the landscape. The FCA is the conduct regulator, the Financial Services Consumer Panel is the expert consumer policy adviser to the regulator, the Ombudsman is the provider of dispute resolution services to financial consumers and MAS is the body charged with improving consumer financial capability and understanding. All these bodies have heavy workloads. However, the Review believes that the regulatory system would be more effective in totality if a more coordinated approach was taken.

## Relationship with the Financial Conduct Authority

**7.2** When MAS was first conceived the UK had a single financial services regulator - the FSA - responsible for all prudential and conduct regulation, and the UK was in the midst of a serious financial crisis and facing major risks to financial stability. In 2012 Parliament abolished the FSA and set an overarching strategic objective for the FCA 'to ensure that relevant markets function well'. The FCA has operational objectives, within this overarching strategic objective, to:

- secure an appropriate degree of protection for consumers
- protect and enhance the integrity of the UK financial system
- promote effective competition in the interests of consumers

**7.3** The FCA has powerful formal levers that it can apply in the pursuit of its objectives: it can set rules and enforce them, and under its new competition remit, it can undertake market studies. When the FCA pronounces – both to industry and consumers - it is indisputably the voice of authority. It can therefore exert strong position power and encourage certain types of behaviour from regulated firms without the need to always resort to formal tools. In support of its role the FCA also has expanding research capabilities, increasingly using disciplines such as behavioural economics to understand how consumer detriment can occur. The FCA and MAS have a statutory requirement to cooperate.<sup>1</sup>

**7.4** The FCA currently spends around £10 million a year on commissioning research and research-related consultancy activity, and a further £2.5 million a year on secondary research. The FCA spends around £2-3 million per year on primary consumer research. The FCA has developed a consumer section on its website and also provides a helpline which receive calls on issues such as concerns about fees to queries about the regulatory status of a firm. A significant number of calls are consumer queries about financial services rather than about specific regulatory issues.

**7.5** The FCA also sees its role as the direct provider of key consumer messages and warnings when it believes action is needed to avoid detriment. For example in 2013/4 the FCA issued 331 warnings and alerts<sup>2</sup> about financial services firms and individuals to inform consumers and the wider industry.

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<sup>1</sup> Part 1, Section 6A (1) and (2) Financial Services and Markets Act 2000

<sup>2</sup> Financial Conduct Authority, issued between 1 April 2013 and 31 March 2014

## Financial education remit

**7.6** In helping fulfil the FCA's remit of making the retail financial services market work better, MAS has an important role to play. MAS's expertise and leadership on the consumer "buy side" and its close understanding of consumer behaviour and understanding should be a crucial and valuable source of intelligence for the FCA. The statutory duty to cooperate reinforces this. But the MAS / FCA relationship should, in our view, go beyond the extent to which it has currently developed.

**7.7** We believe that MAS, if it works along the lines outlined in this report, could offer useful tools and levers to complement those in the FCA's armoury and help make the UK's retail financial markets function better for consumers. The FCA and MAS could between them address both the demand and supply sides of difficult, troublesome and complex markets where consumer detriment is likely. They could enhance their sharing of intelligence and insight about areas where markets are not working well for consumers and agree a common segmentation of the market and a common consumer detriment map.

**7.8** An effective relationship between MAS and the FCA should involve strong feedback loops, with MAS using its expert knowledge and the intelligence it gleans to identify issues of concern and ensure that the FCA is fully aware of these at an early stage. FCA should likewise ensure MAS is aware of emerging concerns from its horizontal work on retail markets that point to a need to raise levels of consumer awareness and understanding. This requires regular systematic sharing of information at different levels, subject to the constraints of regulatory confidentiality.

**7.9** If MAS moves fully into the role recommended in this Review there will be times in future when MAS decides to lobby the FCA in order to secure regulatory change that it believes would deliver better consumer outcomes. There would need to be confidence that MAS could be sufficiently independent from the FCA in order to do this.

## Debt advice remit

**7.10** There are also complementary roles for the FCA and MAS to play in the provision of debt advice, and here, too, a strong relationship is required. As the FCA consolidates its statutory responsibility for regulating the provision of debt advice, the relationship between the FCA and MAS is potentially a powerful one. The organisations already work together to some degree but they will need to build on this.

**7.11** Any perceived overlaps between MAS's and the FCA's role need to be identified and managed – MAS and the FCA are working to do this. There are concerns over the possibility of "dual regulation" from some in the debt advice sector, as MAS agrees standards and protocols, which are also subject to FCA rules. The risk of this shouldn't be overstated – FCA rules set the minimum standards required to retain authorisation as a debt advisor while MAS will be seeking to coordinate the sector and work with creditors and advice bodies to strengthen provision. However, the FCA and MAS should work closely together to ensure their approaches complement each other and are consistent.

**7.12** The FCA and MAS should work together to agree and promulgate important consumer messages around options in the debt advice market. MAS should share intelligence it gathers on the sector with the FCA – and the FCA should do so with MAS, to the extent it is permitted and prudent to do so given its role as regulator.

**Recommendation: The FCA and MAS should coordinate more closely together to seek to make the financial information and advice, and debt advice markets work better for consumers**

## Relationship with the Financial Services Consumer Panel

**7.13** There are other bodies in the financial regulation landscape that have an interest in a well-functioning MAS and where greater coordination is desirable: the FSCP and the FOS.

**7.14** The Financial Services Consumer Panel has significant relevant expertise and a strong interest in an effective body which helps make the demand side of the financial services market function better. It would be helpful if the FSCP could apply its consumer policy expertise to help ensure that MAS adds most value for consumers.

**7.15** We recommend a stronger connection between MAS and the FSCP. This would need to be within the content of the FSCP's statutory responsibilities under which it formally advises the FCA. Occasional joint meetings at Board level to discuss market developments, share intelligence and take a forward look at priorities would be a helpful development in order to help inform the FSCP and MAS's work. More extensive informal interaction would also be helpful.

**Recommendation:** MAS and the FSCP should review how to build a stronger connection in order to support their respective responsibilities.

## Relationship with the Financial Ombudsman Service

**7.16** The Financial Ombudsman Service was set up in 2000 to resolve individual disputes between consumers and financial businesses – fairly, reasonably, quickly and informally. It has grown significantly over the last 15 years to become an organisation employing over 3,300 staff who, between them last year, handled over 2.3 million enquiries and resolved over half a million complaints. The ombudsman's consumer helpline is the first port of call for everyone who phones the FOS service and deals with many calls a year where consumers are confused about financial products.

**7.17** We recommend that MAS builds a stronger partnership with the FOS so intelligence and insight into the problems faced by consumers on the ground and the root causes of consumer confusion and misunderstanding around particular product types can be shared. FOS could provide high value consumer intelligence to MAS, and help MAS determine its priorities: there should be a closer partnership.

**Recommendation:** The FOS and MAS should build a closer partnership in order to share intelligence and insight.





# 8 Accountability and constitutional issues

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## Current accountability arrangements

**8.1** As set out in Chapter 1, the Consumer Financial Education Body (MAS) is a statutory body with a Board appointed by and accountable to the FCA. The FCA is required to appoint directors to the MAS Board on terms that secure their operational independence from the FCA. MAS is accountable to the FCA in terms of its annual budget and business plan. It is funded entirely by levies on FCA regulated firms.

**8.2** MAS's £81.1 million budget is classed as public expenditure and the Permanent Secretary to the Treasury is accountable to Parliament for it. HMT must be consulted on the MAS budget and business plan and appointments of the MAS Chair and CEO are subject to Treasury approval.

**8.3** The FCA can probe and, to a degree, challenge the proposed MAS budget and business plan each year but under the current construct it is difficult for the FCA to second guess MAS's strategic approach and hold it fully to account. MAS has no other formal lines of accountability other than being subject to review by the NAO, a system which was introduced in 2012, although as an HMT sponsored body the Treasury Select Committee can call MAS before it as it sees fit.

**8.4** The legal and governance arrangements for MAS are similar to those of FOS and the FSCS. The three bodies are however different in kind. The FOS take decisions on deadlocked disputes in a quasi-judicial way and therefore has to be able to exercise independent judgment and be independent in this respect from the regulator. The FSCS, whilst having its own Board, is bound by rules set for it by the FCA. Neither body has the sort of broad reaching and unspecific statutory remit that the MAS is charged with fulfilling.

**8.5** Under current arrangements it is not possible for those who fund MAS – retail financial services firms – to have a meaningful voice on how their funds are spent or the value for money of MAS's work. The FCA's annual consultation on the MAS budget is a small part of a broader consultation on FCA, FOS and FSCS levies. Similarly the only opportunity for other stakeholders, particularly those representing consumers, to input to MAS strategy is via the consultation which MAS undertakes each year on its business plan. This Review has picked up concerns about MAS strategy, business model and costs and a degree of frustration about MAS's willingness to listen and the ability of stakeholders to influence both the direction of travel and priority areas of work.

**8.6** It is crucial that any organisation working in a crowded and contentious landscape on complex public interest issues is genuinely open and consultative so it can build trust, learn from others and identify how best to discharge its role.

## Strengthening the accountability framework

**8.7** The Review believes that the current accountability regime is weak and that it would benefit from being strengthened. We do not consider that it is possible under the current arrangements for any party to hold MAS fully to account, either for the way it discharges its role or for the monies it spends.

**8.8** We therefore recommend that the regime be strengthened. There are a number of short term steps that could be taken to help ensure greater accountability for MAS and these are set out below. We outline longer term possibilities later in this chapter.

## Short term measures

**8.9** Within the current legal framework it would be possible for MAS, the Treasury and the FCA to agree the following steps to strengthen the accountability framework for MAS.

- the Treasury and the FCA could (subject to constraints in the statutory framework), set out their views on strategic priorities for consumer understanding and financial capability, to aid the MAS Board in setting strategy and interpreting its remit
- MAS could consult in a more meaningful way on its strategy and business plan and fully engage with all relevant parties, and demonstrate that it listens to feedback
- MAS could engage more intensively with the financial services industry who fund it and others, and publish more transparent information to enable closer scrutiny of its annual expenditure, performance and effectiveness by interested parties
- the proposed Debt Advice Steering Group should help strengthen the scrutiny and accountability of MAS's debt advice work

**8.10** Adoption of the measures above would help deliver greater accountability for MAS. The weakness of the statutory arrangements would however remain in a legal sense. If MAS moves into the role proposed by our Review then its formal line of accountability to the FCA could become more awkward.

**Recommendation: The government and the FCA should consider what short-term measures they can take to strengthen the accountability of MAS**

## Governance

**8.11** MAS will need strong and effective governance in order to deliver the role envisaged in our Review. The MAS Board would benefit from a refreshed skill set more closely aligned to its new strategic direction. The appointment of one or two senior industry representatives could, in addition, help to strengthen governance arrangements in terms of the MAS funding community.

**8.12** Despite the legal requirement for the MAS Board to function independently from the FCA we believe it could be helpful in terms of coordination were an FCA senior representative to attend MAS Board meetings as an observer.

**Recommendation: The MAS Board should be strengthened at the earliest opportunity in order to align it more closely with the new business model**

## Longer-term issues

**8.13** This Review has recommended changes to the MAS's accountability arrangements that can be implemented within the current statutory framework. In the longer term, it is likely that the government will wish to consider whether it would be helpful for the legal framework and constitution of the CFEB to be amended in order to provide greater clarity of purpose and a stronger accountability framework.

**8.14** We have not made recommendations about such a decision; it lies outside the Review's terms of reference and is dependent upon other factors that cannot be predicted at this stage, such as the ultimate delivery model for the pensions guidance guarantee. This short, focused Review has also not had time to do this issue justice, moreover there would be no time to

implement any legislative changes during the current Parliament. However, given the nature of the recommendations in our report, we thought it helpful to set out some initial views below on the impact of four possible options on the reformed organisation's effectiveness.

## **1 Retain the status quo**

**8.15** This is the least disruptive option for an organisation that will be undergoing considerable change, if our recommendations are implemented. With strong and effective governance, MAS should be able to move into the repositioned role we envisage within the current framework. Arrangements for FCA pass through of levy funds would remain. However, there are a number of weaknesses:

**8.16** The breadth of the current statutory remit makes it more difficult for the organisation to focus on strategic priorities.

**8.17** MAS's accountability framework is relatively limited, which limits the extent of external scrutiny. The FCA will retain formal responsibility for an organisation over which it has only limited control, and a move by MAS into quality accreditation and policy advocacy could be controversial.

**8.18** It may be more challenging for MAS to occupy a space that public bodies have found difficult to do without statutory backing – for example criticising individual firms or awarding quality marks.

## **2 Create an FCA subsidiary**

**8.19** This option would move MAS into the FCA as a new FCA subsidiary body, with its own board but with some joint FCA / MAS board directors, sitting within the broader statutory framework of the FCA. The Payment Systems Regulator currently operates a similar model. The FCA would continue to consult on and collect earmarked levy funds for this new subsidiary.

**8.20** This model has the advantage of greater coherence of approach between MAS and the FCA in terms of making retail markets work better for consumers. The fact that the FCA now regulates debt advice organisations and sets standards for guaranteed guidance on pensions could be arguments in favour. Any duplication or conflict between the approaches to consumer research, consumer segmentation and retail market analysis undertaken by MAS and the FCA would be easier to resolve.

**8.21** The disadvantages would be that MAS might be constrained in terms of its approach in driving up quality standards. It can be difficult to do this when the world of statutory regulation is more binary: either a body is fit enough to be authorised or not; either enforcement action is taken or not. There could also be a loss of focus in MAS's role in view of the wide range of other priorities facing the FCA.

**8.22** Under this model, there would need to be clear delineation between MAS's funding of debt advice and the FCA's regulation of the sector to allay any concerns that that FCA is 'marking its own homework'.

**8.23** It could be more difficult for MAS to move into a clear role, acting 'on the consumer's side' in the market, if it were part of the FCA – the FCA has regulator needs to remain independent on more qualitative and judgemental issues.

## **3 Reform as an independent statutory body with revised objectives, powers and accountability arrangements**

**8.24** In light of the public debate around MAS's work to date and the findings of this Review, this option would support MAS by tightening its statutory remit and clarifying its purpose,

powers and accountability. MAS's statutory objectives would be recast to set out, as its primary purpose, promoting the provision of quality information and guidance to the public on financial matters, and strategic coordination of the provision of free debt advice.

**8.25** The statute could clarify MAS's powers to accredit providers of information and guidance to the public, advocate on behalf of consumers, and support financial education in schools. The framework could permit the body to receive private funds (for example from accreditation) were that deemed desirable, although it would be important to retain strict independence on policy and operations from the industry. This option would require legislation to implement.

**8.26** There would need to be a revised framework to ensure that the body could be fully held to account for its work. The options appear to be either stronger lines of accountability to the FCA; or to Parliament through Treasury Ministers. Our preference is for the latter in view of the desirability of maintaining some distance between the FCA's formal regulatory role and the recast MAS body's more consumer-facing role. To be effective the body would need to be fully independent and work on the collective behalf of financial services consumers.

**8.27** Were such a change to be made then the Treasury rather than the FCA would be responsible for appointing the Board of the recast body, and levy funds from FCA regulated firms would pass to the body via the Treasury.

#### **4 Create a not for profit body with statutory powers**

**8.28** Under this option the industry and consumer bodies would be encouraged to set up a private not for profit body governed by a public interest Board, which could then be granted the requisite statutory powers and be able to receive levy sourced grant funding. There are precedents for such an approach: for example, the Citizens Advice service has been granted statutory powers to represent the interests of consumers in energy and post markets and receives industry levy sourced funding via BIS to undertake this work.

**8.29** The difficulties we envisage for this option are around ensuring robust public accountability for the work done and the approach taken, and retaining strict independence from the industry. Both are critical to the organisation's future success.

# 9 Conclusions

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**9.1** The Consumer Financial Educational Body - MAS - still has an important job to do. But change is needed, particularly to its money advice business model, in order to deliver better value for consumers. MAS has already started on this journey and much of MAS's more recent work chimes with our recommended approach.

**9.2** We recommend that MAS adopts a more coherent approach across its debt advice and financial capability work. To do this MAS should develop its role as a strategic leader and facilitator, working increasingly through others to help consumers take better financial decisions.

**9.3** On debt advice MAS should work across the whole market, with advice providers and with creditors, to improve the capacity and efficiency of the debt advice system. On financial capability MAS should again work across the market to help improve the many financial information and guidance offerings now available and the clarity of products. MAS should focus its own provision on areas where there are important gaps – such as an impartial but expert Financial Helpline – with its website carrying basic information and signposting people to other providers. MAS should also offer pump-priming grants to third parties to help fill gaps.

**9.4** MAS should invest more effort and resource into improving the delivery of financial education in schools, leveraging and coordinating activity in order to provide more practical help for teachers in the classroom.

**9.5** Finally MAS should work with consumer bodies, the industry and the media to coordinate public awareness campaigns on important generic issues.

**9.6** Implementation of our proposed model would deliver the following benefits, which are all capable of measurement and quantification:-

- more consumers with problem debt receiving debt advice; more outstanding debt repaid; more people helped at an earlier stage
- additional creditors joining the new MAS coordinated system as both funders and participants in the strategy
- lower average unit costs of providing good debt advice across the free advice sector
- fewer people getting into problem debt over time
- improvement in consumer understanding for financial helpline users
- clearer and better quality generic information and advice available across the market, with evidence of usage levels
- clearer more understandable product information for consumers
- evidence of more consumers making good financial decisions
- wider public awareness and behaviour change resulting from a small number of major consumer campaigns a year
- more and better financial education in schools

**9.7** The net result, in due course, should be better informed consumers, a stronger demand side and more consumers taking good financial services decisions. We believe that this is a worthwhile and achievable prize.



# A Recommendations

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- A.1** MAS should establish a high level Debt Advice Steering Group at the earliest opportunity, comprising senior representatives from creditors together with the Chief Executives of Citizens Advice, Step Change and the Money Advice Trust, to help improve the efficiency, effectiveness and reach of free debt advice. The Steering Group should be chaired by the MAS Chair.
- A.2** MAS should use the Debt Advice Steering Group as a vehicle for brokering agreement on provision of a common front-end system across the main free debt advice providers, to triage consumers needing debt advice into the most appropriate channel.
- A.3** MAS should work with the Debt Advice Steering Group to ensure that the funds available for debt advice, including financial services levy funds and voluntary contributions from energy and water sectors, are deployed in the most effective way.
- A.4** MAS should work with creditors and debt advisors to broker agreement on the use of 'nudge' processes to refer consumers with problem debt to advice bodies at an early stage.
- A.5** Government should in due course review the legal framework for debt administration - in order to provide consumers who agree to specified debt repayment schemes with a "breathing space" by freezing interest and charges, and to ensure a fair and appropriate basis for debt repayments to different classes of creditor.
- A.6** MAS should work with the industry, the charitable sector and the media to raise consumer awareness of how to avoid problem debt and the options for advice, and the importance of seeking early help.
- A.7** MAS should, when opportunities allow, seek to integrate its debt avoidance face-to-face, phone and web chat advice into its debt advice funding regime.
- A.8** MAS should work with debt providers and creditors to promote the adoption of common protocols across the sector in order to raise standards and improve the efficiency of debt advice provision.
- A.9** MAS should work to help raise standards in the wider debt advice market by undertaking mystery shopping and gathering other intelligence, engaging closely with firms, identifying good and poor practice and publishing its findings.
- A.10** MAS should move to the recommended new website model and minimise spend on marketing activity.
- A.11** FCA should make rules to require retail firms to promote MAS's website and helpline.
- A.12** MAS should identify gaps in provision and take steps to address them, including through grant funding.
- A.13** MAS should first pilot and then establish a Financial Helpline and this should be promoted by retail financial services firms. MAS, FCA and FOS should coordinate to ensure effective triage and a 'one stop shop' for consumer queries on financial matters where possible.
- A.14** MAS should work with industry sectors to simplify consumer information about products and help make product features more comparable. MAS should commit to a small number of such projects a year to sustain momentum.

**A.15** MAS should drive quality, innovation and good practice in consumer information provision through a range of approaches that encourage information and guidance providers to adopt good practice.

**A.16** MAS should establish consumer-oriented quality criteria and a panel of independent experts, list providers on its website, and explore the feasibility of awarding good providers with a MAS Quality Mark; the government should consider whether it is necessary to clarify MAS's statutory powers in this area.

**A.17** MAS should work with the industry, consumer media and others to facilitate and coordinate consumer education campaigns on key issues.

**A.18** MAS should play a strong strategic coordination and support role in embedding financial education in schools, engaging with the Department for Education and devolved administrations as appropriate.

**A.19** MAS should establish a research hub for sharing insights and publish an Annual Review of Financial Health.

**A.20** MAS should draw problem issues linked to consumer behaviour and understanding to the FCA and other authorities' attention where appropriate, and engage with them on the sorts of remedies likely to be most effective.

**A.21** The FCA and MAS should coordinate more closely together to seek to make the financial information and advice, and debt advice markets work better for consumers.

**A.22** MAS and the FSCP should review how to build a stronger connection in order to support their respective responsibilities.

**A.23** The FOS and MAS should build a closer partnership in order to share intelligence and insight.

**A.24** The government and the FCA should consider what short-term measures they can take to strengthen the accountability of MAS.

**A.25** The MAS Board should be strengthened at the earliest opportunity in order to align it more closely with the new business model.



## B Terms of Reference

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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.

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.

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.

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
3. recommending any changes to MAS's approach and delivery models that would enable it to better meet this need

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
- measurement of success, in particular striking the right balance between impact and reach

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.

**30 May 2014**

# C Stakeholder Engagement

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## Written Responses to the Call for Evidence

Age UK  
Alan Squirrel  
Alex Beardmore  
Association of British Credit Unions (ABCUL)  
Association of British Insurers (ABI)  
Association of Professional Financial Advisers (APFA)  
British Bankers Association (BBA)  
Catherine McMorris  
Citizens Advice  
Consumer Finance Association (CFA)  
Council of Mortgage Lenders (CML)  
Debt Advice Foundation  
Elaine Kempson – Emeritus Professor, University of Bristol  
Esther Mileham  
FCA Smaller Business Practitioner Panel  
Finance & Leasing Association (FLA)  
Financial Inclusion Unit - Welsh government  
Financial Services Consumer Panel  
Heather Daniels  
HSBC  
Investment & Life Assurance Group (ILAG)  
Joyce Tagell  
Legal and General Group  
Lesley Gallagher  
Lloyds Banking Group  
Louise McMennamin  
Money Advice Scotland  
MoneySavingExpert  
National Association of Pension Funds (NAPF)  
Personal Finance Education Group (PfeG)  
Ray Compton  
Royal Bank of Scotland Plc  
Sharon Collard - Professor of Personal Finance Capability, Open University Business School  
Standard Life Plc  
StepChange  
Swiss Re  
The Community Housing Cymru Group (CHC Group)  
The Low Commission  
The Money Advice Trust  
The Money Charity  
The Pensions Advisory Service (TPAS)  
The People's Pension - B&CE  
Tribal Group

\*Two additional confidential responses

## Stakeholder meetings held

<b>Name</b>	<b>Position</b>
Ros Altmann	Government Adviser
Graham Beale	Chair, Financial Services Practitioner Panel
Tracey Bleakley	CEO, Pfeg
Tony Boorman	CEO, Financial Ombudsman Service
Catherine Bradley	Non-Executive Director, FCA
Andy Briscoe	Chair, MAS Board
Philip Brown	Head of Retirement Propositions, LV=
Steven Corbishley	Director, National Audit Office
Clive Cowdery	Founder, The Resolution Foundation
Sherard Cowper-Coles	Senior Adviser, HSBC
Michelle Cracknell	CEO, TPAS
Amanda Davidson	Non-Executive Director, FCA
Laurie Edmans	Non-Executive Director, MAS
Joanna Elson	CEO, The Money Advice Trust
Jon Elwes	Money Advice Trust
Peter Field	Marketing Consultant
John Fingleton	CEO, Fingleton Associates
Amelia Fletcher	Non-Executive Director, FCA
Mark Garnier MP	Treasury Select Committee member
Charlie Gluckman	Audit Manager, National Audit Office
John Griffith-Jones	Chairman, FCA
Gillian Guy	CEO, Citizens Advice
Dr David Halpern	CEO, Behavioural Insights Team
Deborah Hankins	Deputy Director, DWP
Chris Hannant	Director General, APFA
David Harker	Non-Executive Director, FCA
Veda Harrison	Manager, RBS
Ted Hart	Head of Public Policy, Legal & General
Helen Hayes	Manager, Citizens Advice Cymru
Michelle Highman	CEO, The Money Charity
Mark Hoban MP	Former Financial Secretary to the Treasury
Kat Hodgkinson	Head of External Affairs, Pfeg
Paula Holland	Officer, Welsh Local Government Association
Steve Johnson	CEO, Advice UK
Jackie Kerr	Department of Enterprise, Trade & Investment, NI
Sally Laker	Deputy Chair, FCA Small Business Panel
Eric Leenders	Executive Director, BBA
Aileen Lees	MoneySavingExpert
Chris Leslie MP	Shadow Chief Secretary to the Treasury
Martin Lewis	Founder, MoneySavingExpert
Sue Lewis	Chair, Financial Services Consumer Panel
Richard Lloyd	Executive Director, Which?
Stephen Locke	Non-Executive Director, MAS
Jocelle Lovell	Manager, Wales Co-operative Centre
Yvonne MacDermind	CEO, Money Advice Scotland
Mick McAteer	Non-Executive Director, FCA
Francis McGee	Director of External Affairs, StepChange
Pauline McKiernan	Manager, Ulster Bank Group
Zitah McMillan	Director, FCA
Sir Nick Montagu	Chair, Financial Ombudsman Service
Graham Mowat	DWP

Dominic Notarangelo	Chair, Citizens Advice Scotland
Mike O'Connor	CEO, StepChange
Funmi Olasoju	DWP
Alison Pask	Vice Principal ifs University College
Sylvia Perrins	National Skills Academy for Financial Services
Jane Platt	Non-Executive Director, FCA
Brian Pomery	Non-Executive Director, FCA
Chris Pond	Vice Chair, Financial Inclusion Commission
Keith Richards	CEO, Personal Finance Society
Guy Rigden	Interim CEO, MyBnk
Sam Roberts	Assistant Director, Insolvency Service
Caroline Rookes	CEO, MAS
Andrew Seager	Head of Service Development, Citizens Advice
Joanne Segars	CEO, National Association of Pension Funds
Joanne Shaw	Non-Executive Director, MAS
Lawrence Slade	Acting CEO, Energy UK
Paul Smee	CEO, Council of Mortgage Lenders
Steve Smith	Director, LBG
John Spence	Non-Executive Director, MAS
Kim Stephenson	Occupational Psychologist
Lord Wilf Stephenson	Chair, StepChange
Pamela Taylor	CEO, Water UK
Hazel Thomas	Manager, Scottish Legal Aid Board
Otto Thoresen	CEO, Association of British Insurers
Andrew Turberville Smith	Chair, Financial Services Small Business Panel
Lord Adair Turner	Former Chair, FSA
Peter Tutton	Head of Policy, StepChange
Peter Vicary Smith	CEO, Which?
Lawrence Vousden	Public Affairs, LV=
Angela Wakein	Director of Risk & Operations, Banco Santander
Steve Webb MP	Minister of State for Pensions
Martin Wheatley	CEO, FCA
Chris Woolard	Director Policy, Risk and Research, FCA
Tom Wright	CEO, AgeUK

### **Advisory Panel**

Colin Brown	FOS; and former FSCP chair
Philip Cullum	Partner, Consumers and Sustainability, OFGEM
Daniel Godfrey	Chief Executive, The Investment Association
John Godfrey	Director, L&G
Richard Gray	Director, Baigrie Davies
Kirstie Mackey	Head of Corporate Affairs, Barclays
Claire Whyley	Member, Financial Services Consumer Panel



# Correspondence from D Water and Energy Sectors

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Letter from Water UK

9 December 2014

Dear Christine,

Over the last few weeks, Pamela and I have been discussing with you and your team your review of the Money Advice Service. As a result, we have had very extensive discussions with our members, the water companies throughout the UK, and the information you have provided about your direction of travel has been very helpful.

Your draft recommendations have broad support from the water industry.

We agree that there is a need for greater co-ordination and more cost effective supply of free debt advice. We have in particular discussed the need for channel shift to more efficient ways of delivering advice, the need for greater consistency across the debt advice sector, the importance of appropriate messages about the need to pay bills in the interests of all consumers, and the benefits there would be from a greater alignment of incentives between debt advice providers and creditors.

We agree that creditor organisations have a key role to play in being agents of change, and the water sector would be pleased to demonstrate its commitment to the arrangements you are proposing by joining the Debt Advice Steering Group you have proposed.

As you will know, water companies already provide a very extensive package of support for customers who are struggling. Over £40m is spent every year through a wide range of routes - charitable trusts, special funds, local delivery partners such as Citizens Advice Bureaux, and direct company activities to provide a range of support from general money and debt advice, to specific advice in individual circumstances and direct financial support to customers who are struggling. This is in addition to the growing number of social tariffs provided by water companies, with more being introduced in April 2015.

Water companies are committed to maintaining this current support, and have been clear with us that they will not put at risk these successful local and regional arrangements which deliver valued support to vulnerable consumers.

However, we are pleased to be able to confirm that many companies have volunteered to provide additional funding, over and above their existing commitments, for the financial year 2015/16.

As you know, water is a devolved policy area, and different funding and charging arrangements apply in Scotland and Northern Ireland, so this is something that is more relevant for companies operating in England.

The companies below have volunteered to provide a total of £1m of new funding for the Money Advice Service for the financial year 2015/16.

Affinity Water  
Albion Water  
Anglian Water  
Northumbrian Water  
Peel Water Networks  
Portsmouth Water  
Sembcorp Bournemouth Water  
Southern Water  
South East Water  
South Staffordshire Water  
Sutton and East Surrey Water  
Thames Water  
United Utilities  
Wessex Water  
Yorkshire Water

The willingness of so many companies to provide voluntary financial support to this new framework for the debt advice sector, before it is established, shows the strength of the industry's support, and can be regarded as a down-payment for the new arrangements.

Kind regards,

**Rob Wesley**  
Head of Policy  
Water UK

**Letter from Energy UK**

15 December 2014

Dear Christine

I am writing to confirm that the energy sector welcomes the Independent Review of the Money Advice Service and the proposals to better coordinate the provision of free debt advice. These recommendations should strengthen the debt advice sector and improve efficiency and effectiveness. We will be participating in the proposed Debt Advice Steering Group and look forward to working with stakeholders in the New Year. The sector expects to provide £1m of voluntary funding to help kick-start the service in 2015/16.

If I can be of further assistance please do let me know.

Best regards

**Lawrence Slade**  
Chief Operating Officer  
Energy UK



# Content Duplication Analysis

**E.1** The Review analysed the extent to which there is content duplication between the MAS website and the websites of other popular online providers. It was compiled by selecting five sections of the MAS website (out of a total of ten) and checking content on the other sites against each MAS subsection. For example, the 'Births, Deaths and Families' section of the MAS website has five subheadings hence a total possible score of five. This illustrated by the top row in Table E.1. Provider sites were given a score depending on the extent to which they duplicated subsection by subsection.

**E.2** The percentage of content overlap provides an estimate of the overall levels of content duplication observed between MAS and each of the twelve sites compared. This research suggests that the level of content duplication in our sample between MAS and Money Saving Expert is very high (although clearly not identical), whilst content duplication with Barclays is moderate.

**Table E.1: Content duplication**

	Debt & borrowing	Insurance	Budgeting and managing money	Births, deaths and family	Homes and mortgages	Total	% of content overlap
Money Advice Service (total available score)	5	6	4	5	4	24	100
Money Saving Expert	5	6	4	5	4	24	100
This is Money	5	6	4	5	4	24	100
Citizens Advice	5	5	4	5	4	23	96
Money Super Market	5	6	4	4	4	23	96
Money Wise	4	6	4	4	4	22	92
StepChange	5	3	4	4	4	20	83
Go Compare	4	6	3	2	4	19	79
Age UK	2	6	3	2	3	16	67
RBS	5	2	2	2	3	14	58
Money Advice Trust	4	0	3	3	3	13	54
Barclays	4	3	2	0	3	12	50
Lloyds Bank	4	1	3	0	3	11	46



# F Consumer Research

Consumer research was conducted by ICM on behalf of the Review between 7<sup>th</sup> and 16<sup>th</sup> November 2014. Results are based on interviews with 2,046 adults aged 15+ across Great Britain. Interviews were carried out face-to-face, in home, using random location sampling. The data has been weighted to the GB population profile. In line with common practice, the Review has treated this as a proxy for the UK population profile.

<i>Q1) Which, if any, of the organisations on this card have you heard of?</i>	
<i>Base: All respondents (2046)</i>	
<b>Name of organisation</b>	<b>% of respondents</b>
Citizens Advice Bureau (England & Wales only)	79
National Trust (England & Wales only)	72
Which?	71
Financial Ombudsman Service (FOS)	51
Money Advice Service (MAS)	46
Moneysavingexpert.com	45
Financial Conduct Authority (FCA)	36
Financial Services Compensation Scheme (FSCS)	33
Citizens Advice Scotland (Scotland only)	8
StepChange	8
National Trust for Scotland (Scotland only)	7
None of these	4

<i>Q2 Have you ever contacted the Money Advice Service (MAS) before?</i>	
<i>Base: All respondents who were aware of the Money Advice Service (920)</i>	
	<b>% of respondents</b>
Yes	4
No	96
Can't remember	*

<i>Q3) Looking at this card, please tell me how you contacted the Money Advice Service</i>	
<i>Base: All respondents who have contacted the Money Advice Service (39)</i>	
	<b>Number of respondents</b>
Visited MAS website	14
Phoned MAS helpline	14
Attended a MAS organised money advice session	5
Wrote a letter to MAS	1
Emailed MAS	0
Other	5
Can't remember	1

<i>Q4) In which of the following areas did you seek information and support from the Money Advice Service?</i>	
<i>Base: All respondents who remembered how they contacted the Money Advice Service (37)</i>	
	<b>Number</b>
Debt and borrowing	16
Budgeting and managing money	9
Pensions and retirement	4
Welfare benefits	4
Saving and investing	3
Homes and mortgages	2
Insurance	2
Other	2
Can't remember	0

<i>Q5) Did you do anything differently after using the Money Advice Service website?</i>	
<i>Base: All respondents who had used the Money Advice Service website (14)<sup>a</sup></i>	
	<b>Number</b>
<b>Total: No</b>	<b>9</b>
No – I already had the knowledge I needed	3
No – The website didn't provide me with the help I needed	1
No - Other	5
<b>Total: Yes</b>	<b>4</b>
Yes – I bought a financial services product / policy	0
Yes – I decided not to buy a financial services products / policy	1
Yes – I sought expert financial advice	1
Yes – I started a budget planner / changed how much I save	1
Yes – I did something else	3
Can't remember	
<sup>a</sup> One respondent who had used the Money Advice Service website did not answer this question	0

# MAS Website Visitors and G Actions

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## Introduction

MAS highlights the number of contacts it receives as a key measure of success. For example its Q2 2014 performance press release was headlined “On track for 20 million contacts from customers this year.”<sup>1</sup> A related figure- the number of actions taken as a result of MAS – is a MAS KPI and is based upon the number of contacts, including repeat visitors. MAS estimates that 5.5 million people will take at least one action to boost their financial resilience this year as a result of visiting the MAS website and that 7-10 million actions will be taken in total.

Given the priority MAS attaches to these measures, and that 99% of customers contacts are through MAS’s website, we sought to understand how these figures are calculated for the website. The measure has been the subject of much discussion between MAS and the Review. Our conclusion is that we are sceptical about MAS’s estimates for its number of visitors and the number of actions taken – these are subject to considerably uncertainty and are likely to be an overestimate.

The Review and MAS agree that estimating the number of visitors to MAS’s site who take at least one action is not an easy thing to achieve given the relative anonymity of web users and the difficulty in understanding what actions they have taken afterwards. MAS has invested considerable effort and resource in this, has used an external market research firm to undertake its actions survey and its methodology has been assessed by the NAO. The NAO concludes that MAS’s estimate of the number of engaged customers taking action is based on well controlled data, and that with one exception, MAS uses reasonable assumption in its calculation.

The Review and MAS also agree that that the 20m headline number of contacts doesn’t show the number of visitors actually using the website – this figure includes repeat visits and people who stay less than 15 seconds – who are unlikely to have engaged. To these points, MAS also agreed to supply the number of visitors from outside the UK – helping this group of people is outside MAS’s remit.

## Methodology

To arrive at the 5.5 million estimate, MAS multiplies the number of unique visitors it estimates will visit the website this year by the number of actions it estimates each visitor will have taken - drawn from a survey of website visitors. In more detail, the approach discussed with MAS is as follows:

*A Calculate “engaged” UK visitors to MAS website*

- 1 Determine the total number of visits to the MAS website in the financial year to-date (the first seven months); 14.7 million

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<sup>1</sup> MAS, [On track for 20m contacts from customers this year](#), 5 November 2014

- 2 Estimate the total number of visits for the whole financial year – MAS estimates a range between 20-24m. For simplicity, we have simply multiplied by 12/7; 11.8 million x 12/7 = 20.7 million
- 3 Estimate the number of repeat visits (29%) and subtract these from the total; 20.7 million - 6 million = 14.7 million
- 4 Subtract the 9% of visitors from outside the UK [MAS don't take this step to calculate their KPI]; 14.4 million x 91% = 13.3 million
- 5 Subtract the 46% of visitors who "bounce"; 13.3 x 54% = **7.2 million "engaged" UK visitors**

*B Estimate proportion "engaged" visitors who take action as a result of visiting website*

- 6 Determine from MAS's monthly actions survey the proportion of MAS website visitors who say they have taken action MAS considers to indicate behavioural change as a direct result of visiting the MAS site – which is 76%
- 7 Applies this proportion to the number of MAS "engaged visitors" above; 7.2 million x 76% = 5.5 million visitors taking at least one action in 2014/15.

### **Areas where the Review believe MAS is likely to be overestimating the number visitors to the site and number of actions taken**

There are three areas in particular where we believe MAS is overestimating the number of actions taken as a result of visiting its website. Two of these overestimate the number of visits:

- 3 **Estimate of repeat visits.** MAS uses Google analytics data to estimate that c. 29% of visits to the MAS website are repeats. This is dependent upon tracking a cookie placed on users' computers. This is almost certainly an underestimate of the number of visits that are repeats:
  - a. The 29% estimate takes no account of people visiting the site through more than one device – for example repeat visitors may well visit through a combination of smartphone, tablet and pc; and
  - b. Even on a pc, cookies are periodically wiped.

MAS acknowledges this, and in fact directed the Review to research<sup>2</sup> that suggests of third party cookies are wiped from an average of 32.5% computers every month. This means that the same person who visits every month could potentially be reported as, for example 12 unique people over a year using cookie-based web analytics – or 2 people – or not be misreported at all. The proportion is uncertain – and it could well be that over the course of a year, the repeat rate is a significant underestimate.

It isn't that MAS is using an inappropriate tracking approach, rather that there isn't a straightforward way of determining the number of repeat visitors to a website over such a long period. For this reason, it isn't industry practice to use annual visitor number to measure performance or value for money – the data is simply too unreliable. Even monthly visitor numbers can be considered suspect – for example gov.uk now uses weekly numbers.

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<sup>2</sup> [http://www.warc.com/Content/News/N31674\\_IAB\\_sets\\_out\\_cookie\\_concerns.content](http://www.warc.com/Content/News/N31674_IAB_sets_out_cookie_concerns.content)

**6 Estimate of visit: action ratio.** MAS introduced its monthly actions survey in April, commissioning GfK to survey visitors to the MAS website 6-10 weeks after their visit. C. 200 visitors per month are asked a number of questions relating to what actions they have taken as a result of visiting the site. On the basis of this, MAS extrapolates the proportion of visitors it deems to have taken action as a direct result of visiting the service. MAS estimates this to be 76%, though it notes this is an early estimate based on two months' of survey data. We believe there are two areas which potentially lead to an overestimate:

- **The panel of survey visitors is unlikely to be representative of MAS users in general – and therefore biased.** Each MAS panel is drawn from three sources – most of the panel 'free found' through online research panels, with the remaining c. 5% of each panel drawn from MAS users who register with MAS or complete a visitor survey. Each of these sources is unrepresentative; we would suggest it is likely that people who have the interest or inclination to register for online research panels are more engaged generally than the average user of the MAS website. The NAO also highlights this risk of bias in the online survey panel.

MAS recognises this risks of online panels – and seeks to mitigate them as best it can, by for example, 'blending' the results from three different online research panels, but it is quite likely that bias remains. We consider it likely that panel members are more likely to have taken action as a result of visiting the site than a typical MAS website user.

- **The questions asked could somewhat bias users in favour of affirming actions or attributing them to MAS.** Users are asked what actions they have taken as a direct result of using the MAS website. It is a recognised behavioural trait to affirm actions as a result of spending time undertaking an activity, rather than to acknowledge that the activity has been 'wasted'.

Interestingly, MAS also asks both the MAS website users and a totally separate 'control' group of non-MAS website users what (MAS primary) actions they have taken. 65% of non-MAS users have taken at least one primary action, compared to 85% of MAS users, with for example 56% of non-MAS users taking budgeting action to live within their means, compared with 77% of MAS users. While these responses can't be compared directly to the attribution question above, it does suggest at least the possibility that some people claiming to have taken action as a result of visiting the MAS website will in practice have done so anyway.

## Conclusion

MAS have invested considerable time and resources in measuring the performance of its website through numbers of visitors and actions taken. MAS acknowledges at least some of the concerns above and has taken steps to try to mitigate these. However, there is still considerable uncertainty around the reported measures, which are likely to be overestimates.

Beyond subtracting the non-UK website visits (1 million fewer visitors) in the main body of this report, we are not in a position to attempt further quantification.

## **HM Treasury contacts**

This document can be downloaded from  
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