HM Treasury

Public financial guidance review:

proposal for consultation

March 2016

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Executive summary

The government wants to ensure that all consumers can access the help they need to make effective financial decisions throughout their lives.

In October 2015, the government launched the *Public Financial Guidance consultation* to seek views on how publicly funded pensions guidance, debt advice and money guidance (including financial capability) could best be structured to help consumers make effective decisions. In parallel, the government and the FCA launched the *Financial Advice Market Review* to look at making financial advice more affordable and accessible for consumers. The two reviews have a shared objective of ensuring that all consumers can access the help they need to make effective financial decisions.

Free-to-client financial guidance is currently provided by three publicly funded bodies - The Money Advice Service (MAS), The Pensions Advisory Service (TPAS) and Pension Wise. Financial guidance is also widely provided by the third sector and the industry.

At the moment there are both gaps in the guidance available to consumers and duplication of content within MAS, TPAS and Pension Wise, which is confusing for consumers. The three publicly funded bodies have independent strategies and business plans and there is no requirement for them to consult the other publicly funded bodies in developing guidance. Respondents to the *Public Financial Guidance consultation* were strongly supportive of restructuring the current arrangements to improve the offer to consumers. The government agrees on the need to restructure the current arrangements and wants the publicly funded guidance bodies to fill gaps in the market, using resources effectively to complement other providers so that consumers can always find the information they need.

On pensions, respondents to the consultation were clear that the decision on how to fund retirement is one of the most important financial decisions a consumer will make. The widespread lack of understanding of pensions, and extent of recent policy changes (including the introduction of auto-enrolment and the pensions freedoms) make it important for the government to continue to provide pensions guidance directly. The current publicly funded pensions guidance offer is fragmented, with all three publicly funded providers offering pensions guidance. Respondents were strongly in favour of making the guidance offer clearer to consumers by merging pensions guidance services.

On debt and general money guidance (including financial capability), respondents agreed that the most useful role that the government could play was to fill gaps in the current guidance provision, by commissioning services rather than competing with other providers. The approach that MAS has taken to contracting out debt advice was broadly supported, but there was a clear view that MAS has tried to deliver too much on money guidance and financial capability, that it has duplicated services offered elsewhere in the market and that it was not able to demonstrate improved outcomes for consumers, in part because of an unclear statutory remit.

The government therefore plans to restructure the delivery of public financial guidance to ensure that consumers can access the help they need to make effective financial decisions. The new delivery model will complement existing market provision, and provide targeted support where it is most needed, including through a comprehensive pensions guidance service. It has been designed to ensure that as much funding as possible can be directed straight to the front line.

The new delivery model will replace the Money Advice Service, and merge the functions of TPAS and Pension Wise. The new delivery model is made up of:

- A new **pensions guidance body** charged with making sure that consumers can get all their pensions questions answered in one place. This will incorporate the functions currently provided by TPAS and Pension Wise, and some pensions guidance provided by MAS.
- A new **slimmed down money guidance body**, charged with equipping consumers to make more effective financial decisions by:
  - Identifying gaps in the financial guidance market
  - Commissioning targeted debt advice, money guidance and financial capability projects or services to fill any gaps identified
  - Providing funding to third parties to deliver these projects or services.

A partnership agreement will sit between the pensions guidance body and the money guidance body to ensure that consumers who need broader financial guidance on both pensions and money issues can be directed to the right places. The links between the two bodies will be strengthened by cross membership of boards so that the business strategies can be aligned.

The new pensions guidance body and the new money guidance body will be funded by levies on the financial services and pensions sectors. By removing duplication and reducing overheads, the new delivery model will allow more funding to be channelled to the front line, while also reducing the burden on levy payers.

The government wants to make sure that the new delivery model improves consumer experience, so welcomes views on how to set up and evaluate the services provided so that they are of most value to the consumer. Consultation questions are included in Section 2 of the document. The government will publish a final response in autumn 2016.

1 Introduction

Context

1.1 People need financial advice and guidance that they can trust to help them make the best decisions about what to do with their money. The government is committed to ensuring that financial services deliver for consumers which is why it launched two reviews in October 2015 - the Public Financial Guidance consultation and the Financial Advice Market Review (FAMR - a joint review with the FCA). The reviews have a shared objective of ensuring that all consumers can access the help they need to make effective financial decisions.

1.2 The government remains committed to ensuring that consumers can access high quality, free-to-client, impartial financial guidance funded by levy (public financial guidance). To achieve this, the government wants to target intervention where it is most needed and channel as much funding as possible to the front line. In a landscape where organisations have different priorities, there are inevitably gaps in provision, and the government wants to complement, not duplicate, the guidance provided by other providers.

1.3 The Public Financial Guidance consultation sought views on how the provision of public financial guidance could be best arranged to ensure consumers get the help they need. The consultation looked in particular at the structure of and services provided by the Money Advice Service (MAS), The Pensions Advisory Service (TPAS) and Pension Wise to see whether the public financial guidance offer could be improved.

1.4 The government has reviewed the public financial guidance landscape and the government's role within it several times over recent years in an effort to improve the offer for the consumer. However this is the first time that the government has reviewed public financial guidance in the context of a wider review of how the financial advice market works. The government sees this as an opportunity to align its vision for the financial advice market and public financial guidance.

Box 1.A: What is advice?

There is some confusion around what different terms for giving consumers help with their finances mean. This document uses the following definitions:

- **'advice'** refers to regulated financial advice delivered by a qualified adviser
- **'guidance'** refers to other forms of help provided to consumers, which do not meet the definition of advice
- **'public financial guidance'** refers to publicly funded, free-to-client, impartial financial guidance
- **'money guidance'** refers to guidance on general money matters such as effective budgeting, or understanding all the costs involved in buying a house
- **'financial capability'** refers to the skills, knowledge, attitude and motivation required to manage money effectively. For the purposes of this document, the term also captures "financial resilience" or the ability to handle periods of financial difficulty.

The impact of FAMR

1.5 The *FAMR final report* identified opportunities to improve consumer access to financial advice, and these will inform where publicly funded guidance could add most value. The key recommendations of FAMR are:

- Consulting on creating a simpler, clearer and more proportionate regulatory regime that will allow firms to offer more tailored support to consumers to better help with financial decisions. This could lead to the expansion of the free-to-client guidance market, as industry providers currently concerned about crossing the boundary into regulated advice could be more confident about providing tailored guidance, which provides no personal recommendation.

- Supporting the pension industry to develop a pension dashboard. This will allow consumers to view their retirement savings in one place, and make better-informed decisions about what action they need to take to secure a comfortable retirement.

- Consulting on clarifying the UK definition of advice. Currently the UK definition of advice is wider than the EU definition of "advice on a personal recommendation". This creates significant uncertainty about the boundary between regulated advice and guidance and limits the amount of information firms are willing to give consumers, for fear of crossing the boundary into regulated advice. This creates an environment that is frustrating for both consumers and firms. FAMR has recommended that HMT consult on clarifying this definition of advice and bringing it into line with the EU-definition.

1.6 The FCA will also consult on clear and understandable labels for advice and guidance which will be tested by consumers and firms before being rolled out. The terms used in *Public financial guidance* review documents will be updated following the FCA's consultation if appropriate.

Availability of financial guidance

1.7 MAS was set up as an independent body with responsibility for improving people's money management in April 2010, following a recommendation in the Thoresen Review of Generic Financial Advice. Thoresen envisaged that MAS would fill gaps in the market, but the organisation was set up with a website which provides generic guidance on any issue that a consumer could face, and duplicates content provided by TPAS and other providers.

1.8 Since 2010, there have been transformative changes both to the guidance landscape itself, and to what help consumers want. These changes include:

- Policy changes. Large scale transformative policy changes such as the introduction of the pensions freedoms and universal credit have put more decisions on how to manage money in the hands of consumers, and increased the need for better targeted, high quality guidance and advice.

- Digital progress. There is widespread agreement that technology has an essential role to play in developing new ways to engage consumers. Over 80% of the UK population now has broadband access and 61% of people access the internet on their phone. Since Apple and Android launched their app stores in 2008 over 3 million apps have been added, and there have been over 200 billion downloads, which has led to huge changes in the way that people access and process information. In response to a 2015 Neilson survey 18% said they used their phones to budget – the equivalent of around 7 million people in the UK. Almost three quarters of these said that budgeting apps have changed their spending habits.

- **Structural changes**. The balance of responsibilities held by the government, regulators, third sector organisations and arms-length bodies has changed considerably in recent years. The current public financial guidance arrangements cause confusion for consumers.

1.9 Over this period MAS, companies and charities have continued to provide high quality financial guidance. However, with the exception of the specialised impartial pensions guidance provided by TPAS and Pension Wise, much of the financial guidance delivered by publicly funded organisations is also being provided by others in the market.

1.10 The widespread availability of guidance, changes to the policy environment and changes to the way that consumers want to interact with data, all provide an opportunity for the government to refocus its guidance offer. The government is clear that it still has an important role to play, and that the role is different for each of the three strands of guidance identified in the *Public Financial Guidance Consultation* – debt advice, pensions guidance and money guidance (including financial capability).

1.11 Many consumers, particularly those with lower financial capability, will continue to benefit from impartial guidance on all three strands and the government has taken this into account in developing a new proposal for the delivery of financial guidance. The proposal will result in more levy funding being directed to the front line to help build financial capability and provide a better impartial guidance offer.

Structure of this document

1.12 This document sets out a proposal for restructuring delivery of public financial guidance to ensure that consumers can access the help they need to make effective financial decisions. The new delivery model will complement existing market provision, and provide targeted support where it is most needed. It has been designed to ensure that as much funding as possible can be directed straight to the front line. The proposal for a new delivery model for public financial guidance is set out in Chapter 2. The government is now seeking views on how, within this model, the proposed guidance services could best be offered.

1.13 The proposed delivery model for public financial guidance has been informed by responses to the *Public Financial Guidance consultation*. Chapter 3 sets out a summary of responses, and a headline government response by theme. In Chapter 4, the government formally concludes the previous independent review of MAS, which was conducted by Christine Farnish in 2014.

1.14 The transition from the current organisations (MAS, TPAS and Pension Wise) to the new delivery model will require primary legislation. The government will engage with the affected organisations and regulators in finalising legislation and governance arrangements. Legislative changes are likely to take 6-12 months, and the government would like to allow a reasonable transition period so the earliest date that the new model will take effect is April 2018.

1.15 The government welcomes views on how to set up and evaluate the services provided through the new delivery model to be of most value to the consumer. The government also welcomes views on how to create effective links between the two new guidance bodies and with the wider sector, to make sure that consumers can easily move between guidance and advice providers. Focused questions are included in Chapter 2 of this document and summarised at Annex A. The government is seeking detailed input, particularly evidence of successful projects and effective sector coordination.

Next steps

1.16 The government will consider the responses to this consultation over the summer, and in parallel, work closely with the affected organisations to finalise the delivery model. A final response to the *Public Financial Guidance Review* will be published in **autumn 2016**.

1.17 The three affected organisations will continue to provide guidance to consumers for at least the next two financial years. The government would like formally to thank MAS, TPAS and Citizens Advice (the statutory provider of face to face guidance for Pension Wise) for their sustained efforts to improve the financial experience for consumers, and it will continue to engage closely with them throughout the transition period.

1.18 This consultation closes on **8 June 2016**. Responses should be sent to **Financialguidanceconsultation@HMTreasury.gsi.gov.uk.**

2 Proposed delivery model for public financial guidance

Issues with the current Public Financial Guidance regime

2.1 Responses to the *Public Financial Guidance consultation* demonstrated a broad consensus on how the current guidance offer could be improved (please see Chapter 3 for a full summary of responses).

2.2 Since April 2015, the new pensions freedoms have given individuals aged 55 and over greater flexibility about how and when they access their pension savings. This means that pension savers are now faced with an extensive range of options about how they can use their pension savings. Guidance is vital to ensure that individuals are fully aware of their options before they make a decision on what to do with their retirement savings, which is one of the most important financial decisions that they will make.

2.3 Many people find pensions a complex subject[1], and with the introduction of automatic enrolment, one of the biggest private pensions reforms in recent years, increasing numbers of people will have defined contribution pensions. The majority of people don't think they have a good enough understanding of pensions[2]. Consumers are likely to have a range of pensions-related queries in their lifetime which they will want help and support to understand before they can make a decision about what is right in their circumstances.

2.4 To make sure that consumers save enough for their retirement, it is vital that they are reassured by the availability of accurate information and guidance, presented in a way that they understand, when they need it. The consultation revealed that consumers find the current pensions guidance landscape confusing, with different, sometimes overlapping, services being provided by three separate publicly funded bodies - Pension Wise, TPAS and MAS.

2.5 The current arrangements are inefficient, and costs associated with maintaining multiple websites and promoting multiple brands is using funding which could be channelled directly to consumers. To reduce inefficiencies and respond to the strong message that pensions guidance services should be merged and refocused to help consumers make effective decisions about their pensions at key life stages, **TPAS and Pension Wise will be replaced by a single pensions guidance body. The new pensions guidance body will take on and extend the services offered by TPAS and Pension Wise and the pensions services offered by MAS.**

2.6 The majority of consultation respondents said that while it was important for the government to provide a single source of pensions guidance for consumers, high quality money guidance and debt advice was already provided by other organisations, and government support for money guidance should be focused on commissioning existing guidance providers to deliver impartial services or run projects to fill any gaps.

2.7 The government continues to consider it a priority to help those facing problem debt. Consultation respondents estimated that publicly funded debt advice currently represents about

[1] ONS Wealth and Assets survey 2012-14 – only around 47% of individuals felt that they knew enough about pensions to plan for their retirement

[2] Wealth and Assets survey 2012-14

40-50% of the debt advice in the free-to-client sector. Around 8 million people in the UK face problem debt, and the government wants to ensure that those facing problem debt can get the advice they need to be able to engage effectively with the financial services sector in the future.

2.8 The government recognises that putting all non-pension resources into funding debt advice would not itself deliver a long term solution, and that there is a need to help people develop the financial capability to avoid getting into problem debt in the first place, and to stay out of debt. It accepts the strong message coming through the consultation that the government should help raise levels of financial capability in the UK. Higher levels of financial capability will be particularly important to allow more people to engage effectively with financial services.

2.9 There was a common view among consultation respondents that MAS's statutory objectives required it to deliver on too many fronts, making it difficult for MAS to truly excel in any areas, and causing it to duplicate activity being carried out elsewhere. The government agrees that the current statutory objectives of MAS are too broad (for example the generic objective of promoting awareness of the benefits of financial planning) and that publicly funded money guidance should be targeted at filling gaps, where it is most needed.

2.10 MAS has run many initiatives over the years which have failed to make significant, measurable progress in addressing the challenge of low financial capability, for example the financial health check. It is clear that insufficiently well-defined statutory objectives and an unclear accountability regime has limited the effectiveness of MAS from the outset. A lack of specifically focused objectives for MAS has meant that the organisation has tried to take on too much and has not been able to deliver the specific tangible results expected of it.

2.11 So despite a comprehensive response by MAS to the recommendations of the previous independent review of the service, conducted by Christine Farnish in 2014[3], the government believes that the statutory regime underpinning MAS is flawed and it **will replace MAS with a slimmed down money guidance body charged with equipping consumers to make more effective financial decisions by filling gaps in the market, funding targeted projects and services to build financial capability and ensuring that consumers can access the debt advice and money guidance they need.**

Proposed new delivery model for public financial guidance

2.12 The government therefore proposes to **put in place a new delivery model for public financial guidance.** The new delivery model is designed to direct more funding to the front line, and focus support on areas of greatest consumer need. It includes:

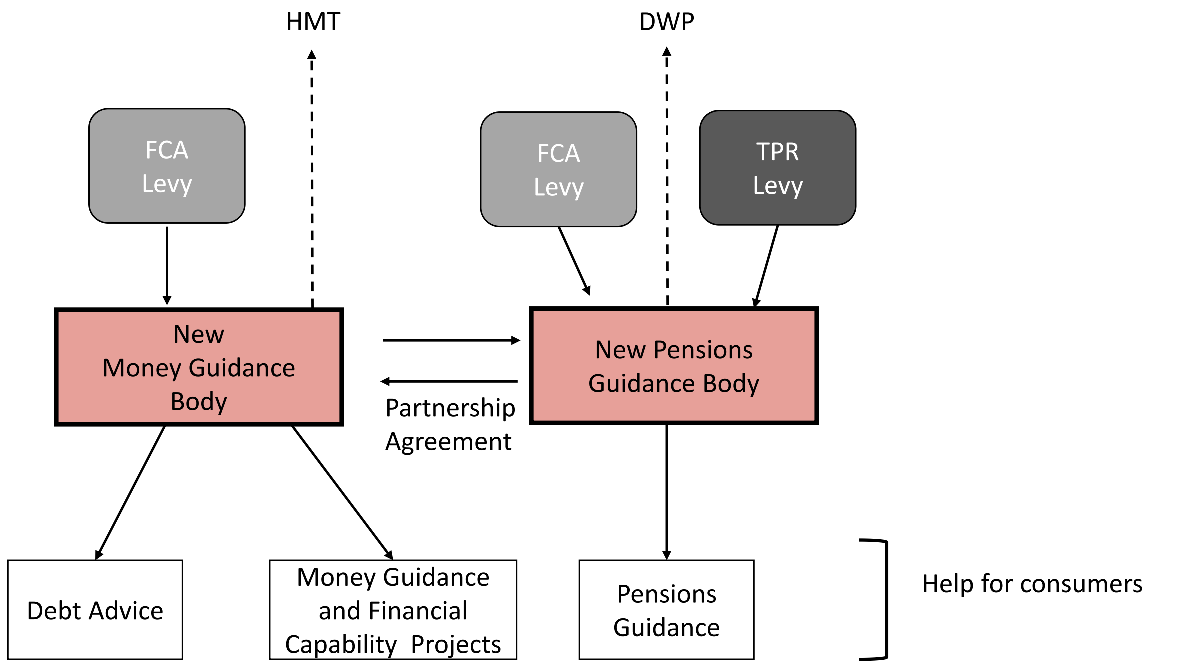
- **A new pensions guidance body**. The key objective of the body will be to make sure that consumers can get all their pensions questions answered in one place, including questions on the pension freedoms. The pensions guidance body will be accountable to the Department for Work and Pensions (DWP) and will be funded by a levy on the Financial Services industry, and a levy from pensions schemes.
- **A new money guidance body**. The key objectives of the body will be to equip consumers to make more effective financial decisions by identifying gaps in the financial guidance market and commissioning providers to fill these gaps to ensure that consumers can access the targeted debt advice, money guidance and financial capability support they need. The money guidance body will not be a direct deliverer of services, but will channel as much funding as possible to front line services delivered by the third sector, the industry and other providers with the

[3] https://www.gov.uk/government/publications/review-of-the-money-advice-service

relevant expertise. It will help build financial capability by supporting measurable interventions which are proven, or demonstrate the strong potential, to help people make more effective decisions. The money guidance body will be accountable to the Treasury and will be funded by a levy on the Financial Services industry.

- A **partnership agreement**. This will sit between the two bodies to ensure that consumers who need both pensions and wider financial guidance are directed to the right places and the two bodies establish good links from the start to ensure consistent quality standards. Drawing on the successful example of the governance arrangements at the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA,) the CEOs of the pensions guidance body and money guidance body will sit on each other's board to ensure that strategies are aligned.

Chart 2.A: The new delivery model for public financial guidance



The new pensions guidance body

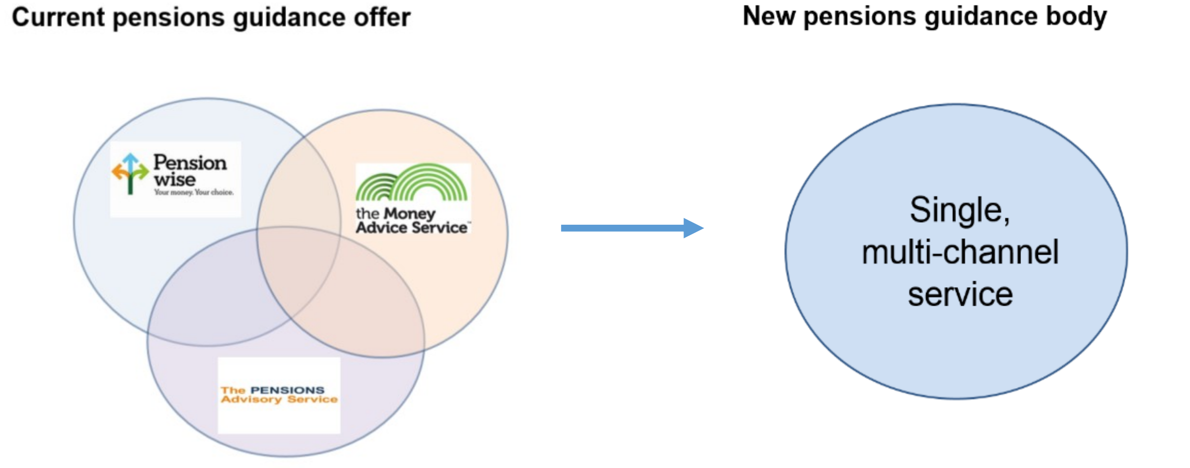
Governance of the new pensions body

2.13 The new pensions guidance body will be set up in legislation as an arm's length body of DWP with clear and specific statutory objectives. The body will be accountable to government but operate at arm's length to provide a more independent and impartial service to consumers.

2.14 The degree of operational autonomy and independence will need careful consideration but the government is clear that the new body should be able to respond quickly to any changes in pensions policy and legislation, so that customers can access accurate and up-to-date information, simple tools and guidance, when they need it.

2.15 The government believes the creation of a new pensions guidance body will also provide the opportunity to consider widening the guidance offer to individuals across all life stages. The concept of a single source of support for all pensions-related matters will be easier to communicate to consumers, and for consumers to understand.

Chart 2.B: Changes to the pensions guidance model



Funding arrangements for the new pensions body

2.16 The funding for the new pensions guidance body will come from the pensions levy and from the financial services levy, collected and administered bythe Pensions Regulator (TPR) and the Financial Conduct Authority (FCA) respectively. Pensions guidance is currently funded via a pensions levy (TPAS core activities), a discrete FCA levy which funds Pension Wise and by part of the MAS money guidance levy. The initial expectation is that efficiencies generated through combining services will reduce the overall budget for pensions guidance, allowing more funding will be directed to the front line. However the detailed funding arrangements will need to be discussed with both the FCA and The Pensions Regulator.

Consumer offer on pensions guidance

2.17 Many respondents from the consultation highlighted the need for a holistic guidance service that had the capacity to help individuals find answers to queries or issues as they are saving for and actively planning for their retirement.

2.18 A single pensions guidance service therefore offers a more efficient and effective way to help any individual with private pensions-related queries. This will benefit the individual by giving them a simple, user-friendly customer experience so that seeking pensions information or guidance will become the norm.

2.19 The intention is for the new guidance body to put in place an information and guidance structure that individuals will understand, giving them the confidence to make effective decisions about their pensions, and the reassurance that there is help and guidance available when they need it. Guidance on accessing the pension freedoms and the secondary market in annuities will be included within this offer.

2.20 The development of any new structure will be evidenced-based, and is likely to involve rationalising and building upon the existing information and pensions tools of existing organisations and services, including TPAS, Pension Wise and parts of MAS, but in a way that suits today's digital age and user needs.

2.21 Although setting up the new guidance body will mean that TPAS and Pension Wise will no longer exist in their current form, the intention is that their core functions will be preserved and continued within the new guidance body. The government will work closely with both TPAS and

Pension Wise to ensure that during the period of transition to the new pensions guidance body there will be minimal disruption to the services currently offered by both TPAS and Pension Wise.

2.22 The intention is to utilise the knowledge and skills of existing organisations, including TPAS, Pension Wise and MAS in order to provide a framework on which to build an improved and holistic guidance offer to individuals.

- Q1. Are there any specific guidance gaps in the current pensions guidance offering that you think the new body should fill?
- Q2. Are there any pension-related topics that shouldn't be included in the remit of the new pensions body?

Access to pensions guidance

2.23 The new pensions guidance body will be set up to offer guidance through multiple channels (e.g. phone, face to face, online) so that as many people as possible can use it. There will be clear signposting and 'warm handoffs' for further pensions guidance and for a seamless transfer between different organisations to deal with non-pensions related queries, such as debt advice and benefits.

2.24 Pensions information is currently widely available from different publicly funded websites which may add to an individual's confusion. The intention is to rationalise pensions information and for it to be provided via the website of the single pensions guidance body. A single unified service that is dedicated to supporting individuals with their pension provides the opportunity to give a greater coverage of pensions matters, standardisation of language, terminology and consistent accurate pensions information available to individuals at all times.

2.25 The new pensions guidance body will be charged to look at innovative ways to make the service more personalised and accessible to individuals, introducing relevant on-line tools and products to meet the needs of the individual. The pensions guidance body will work collaboratively with the new money guidance body to ensure that any new research or intelligence is shared.

2.26 Effective signposting and hand-offs that work seamlessly for the individual will require close working between all the different partners involved. The new body will be required to establish, build and maintain collaborative working relationships with all its partners so that the emphasis is on a customer-centric service.

Branding of the new pensions guidance body

2.27 In the consultation responses, the service TPAS provides was widely complimented, though many respondents to the consultation highlighted the stronger branding of Pension Wise and suggested that the new pensions body should adopt this name.

2.28 The purpose of setting up a new pensions body is to ensure that the public will trust and use it. The government will ensure that any name given to the new guidance body is appropriate and will resonate well with the public.

New money guidance body

Objectives of the new money guidance body

2.29 The new money guidance body will be a substantially smaller organisation than MAS and will seek to direct as much funding as possible to the front line. It will be charged with improving financial capability in the UK, but it will not have a public facing brand, and it will commission out services rather than delivering anything directly.

2.30 The proposed objectives of the money guidance body are to:

- Identify gaps in the financial guidance market
- Commission debt advice, and targeted money guidance and financial capability projects and services to fill any gaps identified
- Provide funding to third parties to deliver these projects and services.
- **Q3. Will these objectives focus the activities of the new money guidance body sufficiently to allow it to improve consumer outcomes?**

2.31 The objectives of the new money guidance body are aligned with those of the government's Life Chances strategy, which the Prime Minister has announced will be published in Spring 2016. The strategy will set out a comprehensive plan to fight disadvantage and extend opportunity.

Box 2.A: The Financial Capability Strategy for the UK

The Financial Capability Strategy is 10-year nationwide Financial Capability Strategy with the objective of improving financial capability across the UK. It was launched in October 2015 by MAS and it is overseen by the UK Financial Capability Board, which has a membership of influential figures from across all sectors.

The Strategy aims to improve people's ability to manage money well, both day to day and through significant life events, and their ability to handle periods of financial difficulty. The main focus is on developing people's financial skills and knowledge, improving their attitudes and motivation, and improving access to appropriate financial products and services.

The overriding approach of the Strategy is to trial initiatives, build up an evidence base on what works and what doesn't, and share best practice. A set of priority activities in this vein has been identified for each of a number of population groups (e.g. children, people approaching retirement).

2.32 The government supports the intention set out in the *Financial Capability Strategy,* to understand what type of intervention can improve consumers' understanding of their finances. It also supports the aspiration of the Financial Capability Board to take a more coordinated approach to raising financial capability.

2.33 The government will expect the new money guidance body to set measurable objectives for raising financial capability in the UK. The new money guidance body will decide whether to continue the current Financial Capability Strategy in its current form, or whether to review or replace it.

2.34 Some respondents to the initial consultation also suggested that the new money guidance body should have a research function in-house or alternately commission third party research. The government wants to ensure that the new money guidance body only commissions research which can be widely used, and does not duplicate research being conducted elsewhere or which could be carried out by another organisation. A possible focus would be for the new money guidance body to commission research:

- identifying gaps in the provision of money guidance and financial capability; and

- measuring the effectiveness of projects delivering debt advice, money guidance and financial capability.
- Q4. What role do you think the new money guidance body should have in providing research?

Structure of the new money guidance body

2.35 The new money guidance body will be set up in legislation with clear and specific statutory objectives. The government will develop primary legislation to set up the new statutory framework, either by way of amendment to the existing statute or by creating a new set of powers. Regardless of the statutory change, the government will build on MAS' knowledge base in forming this new body.

2.36 Like the pensions body, the new money guidance body will be at arms-length from the government. The accountability arrangements underpinning MAS were not sufficiently clearly drawn and both the FCA and the Treasury think it is vital that the new body has a clear accountability regime.

2.37 Therefore the new money guidance body will be solely accountable to the Treasury, with FCA's role limited to collecting the levy. Governance controls will include Treasury approval of business plans, budget and CEO and Chair appointments. The money guidance body will be accountable to Parliament, and subject to NAO audit. These arrangements will be set out in a framework agreement between the Treasury and the new money guidance body.

2.38 The money guidance body will set an annual business plan, setting out the products and services it proposes to commission to deliver against its objectives, and what success looks like. Subject expertise will be required in-house to make sure that the right services are commissioned, but the money guidance body will be expected to seek regular input from third sector providers and other experts on where the gaps exist and how they should be filled.

2.39 The new money guidance body will be governed by a small independent board comprising a CEO, senior executives and non-executives from relevant sectors including the third sector, financial services sector, digital / technology sectors and consumer groups.

2.40 The money guidance body will have a corporate website where details of funding opportunities will be published but it will not have a consumer facing website. The government recognises that the MAS has created budgeting tools and products which are of use to consumers, and it will ensure that these tools will continue to be hosted on appropriate websites including that of the new pensions guidance body.

Funding arrangements for the new money guidance body

2.41 The new money guidance body will continue to be funded by a levy on the financial services industry. The government thinks that a levy funded model remains appropriate given the benefits which financial services firms will gain over time from effective debt advice, money guidance and financial capability interventions. Effective financial capability programmes should give consumers the knowledge and confidence to make sound financial decisions and engage more responsibly with the financial services sector, leading to reductions in debt write-offs, increased demand for products, and reduced costs of regulation.

2.42 Money and debt guidance are currently funded by two separate levies on the financial services industry. The initial expectation is that the level of funding directed towards debt advice will remain at current levels but there will be an overall reduction in the money advice levy to recognise reductions in administrative and marketing costs for the new body, without reducing the guidance available to consumers. Refocusing the service will see more funding being channelled towards helping consumers directly.

2.43 Officials will work with the FCA to explore the possibility of combining the current money advice levy and debt advice levy into a single levy. However, responsibility for setting the rules, and decisions on the most effective way to collect the levy will be a matter for the FCA.

Consumer offer on debt advice

2.44 Building on the work that MAS has done to improve the quality of publicly funded debt advice over the last three years, the new money guidance body will award contracts to deliver debt advice to impartial, FCA authorised debt advice providers.

2.45 Free-to-client debt advice is currently provided by a range of organisations, mostly from the third sector. The debt advice levy funding currently makes up around 40-50% of the free-client debt advice providers' total budget and the government has no plans to reduce its funding contribution. The remainder of the budget comes from voluntary contributions made by organisations from different sectors.

2.46 Some consultation respondents highlighted that the new FCA authorisation process for debt providers could lead to a smaller debt advice market, at a time when the number of consumers facing problem debt is rising. They also suggested that the government should consider whether other creditors such as utility firms should contribute to the funding of publicly funded debt advice to recognise the nature of consumers' debt. The government will stay in contact with the FCA throughout the authorisation process to monitor the impact on customer journeys and capacity. If necessary the funding arrangements for debt advice will be reviewed, and the government may consider broadening the funding base to include other sectors, to ensure that consumers continue to get the help they need.

2.47 Respondents to the consultation had mixed views about whether the money guidance body should have a role in setting standards for debt advice. The government believes that the FCA authorisation process will deliver a higher standard of consumer protection and increase confidence in the quality of advice offered by authorised organisations so no additional quality assurance will be needed. However, in order to evaluate the impact of the new money guidance body's debt advice contracts, some standardised requirements will need to be built into contracts so that the success of all the contractors can be monitored on the same basis, using consistent metrics.

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

2.48 Reducing the burden on contractors, and using smarter contracting models could allow more funding to be directed to the front line and more consumers to benefit from free-to-client debt advice. The new money guidance body will be expected to incentivise use of innovative models – e.g. greater use of web channels or video chat – while recognising that face to face advice will remain the appropriate channel for some consumers.

2.49 The government agrees with the many consultation respondents who noted that the debt advice providers and creditors should have more input into the way that debt advice contracts are awarded and monitored. The new money guidance body will be expected to harness the expertise of debt advice providers wherever possible and avoid re-inventing the wheel. The debt advice contracts will be designed to give consumers the best possible support to help them engage effectively with their problem debt.

- Q6. How could the new money guidance body work with the debt advice providers most effectively to ensure that their expertise is captured and informs contract design?

2.50 The government has no desire to invent new reporting systems where effective systems already exist, so the new money guidance body will be expected to seek input from debt advice providers and creditors on monitoring and evaluating the outcomes of debt advice. The money guidance body will be required to report on outcomes (i.e. how consumers are benefiting from debt advice) rather than simple outputs (e.g. how many debt advice appointments were held).

- Q7. How do organisations currently monitor outcomes? Do you have any suggestions for the outcomes which should be monitored?

2.51 Some consultation respondents favoured a model where all consumers come through a centralised call centre to the most appropriate debt advice provider. However, the government does not think this model would work without a very strong brand. Despite spending a significant amount on brand marketing, consumer awareness of the MAS brand was still below 10% in 2014 and the government is keen to channel as much funding as possible to the front line. Instead, the new money guidance body will require the debt advice providers it contracts to seamlessly hand-off consumers to the most appropriate provider.

- Q8. How could "hand off" arrangements be most effectively built into contracts?

Consumer offer on money guidance and financial capability

2.52 The main criticisms of MAS arose because of the breadth of its remit – in order to meet its wide-ranging statutory objectives, MAS tried to deliver on too many fronts which made it difficult for it to excel in any areas. Respondents questioned the value of creating such a high volume of web content and noted that MAS was duplicating activity being carried out elsewhere. The government therefore wants to ensure that the new money guidance body has a more focused remit, and targets intervention where it will most benefit consumers.

2.53 The majority of respondents thought that free-to-client money guidance appointments should be scaled back or stopped altogether, but recognised the value of some of MAS' money management tools, for example the tool which helps consumers understand all the costs involved in buying a house. So the government proposes that the new money guidance body will assess where there are gaps in the provision of money guidance and provide funding to delivery partners to fill these gaps.

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

2.54 The new body will not be able to fill all gaps in provision, and it will need to prioritise areas of greatest consumer need. As the consultation responses suggested that well-designed money management tools are particularly effective in helping consumers make decisions, the government proposes that the focus of activity should be on digital tools / apps which will help consumers understand the implications of financial decisions.

2.55 The government believes that the greatest opportunity to help large numbers of people make effective decisions is through technology. The government proposes that the new money guidance body will invite bids for tools, apps or other interactive content which are targeted at helping people understand the implications of financial decisions e.g. buying a house. The tools would be developed on an open source or common standard basis, user tested, and made available for consumers to access through well-known websites or free through the app stores.

2.56 The new money guidance body will also seek to equip consumers to make more effective financial decisions through their lives by delivering targeted projects to raise financial capability. Financial capability is a difficult concept to define, and so assessing the impact of projects designed to raise financial capability is challenging. However, the government thinks it is important to fund projects which can demonstrate value to consumers and as such, proposes that the new money guidance body focuses on funding local projects.

2.57 Many organisations have given examples of success in raising financial capability at a local level, using interventions which fit with the particular locality. The government proposes that the new money guidance body will invite bids to broaden or scale up local interventions which have helped, or demonstrate a strong potential to help people understand their finances and make better decisions as a result, including interventions to help increase understand at key life stages or to help increase understanding of universal credit. These interventions can take any form and be targeted at any age or socio-economic group, although the new money guidance body will seek to fund projects which target those with the greatest need for intervention. The government will not define local and projects of any size will be invited to bid.

- Q10. Is the planned focus on commissioning digital tools and funding local projects the right focus for the new money guidance body?

2.58 The government believes that giving the new money guidance body more specific objectives will improve its chances of helping consumers make better decisions throughout their lives so wants to make sure that the focus is correct. The new money guidance body will be required to report to government regularly on the success of the projects, and publish results for others to use – in order to maximise the impact for consumers.

Branding of the new money guidance body

2.59 The name "Money Advice Service" has always been misleading as MAS cannot provide regulated advice. It will be more important than ever to have names which do not confuse consumers when the *Financial Advice Market Review* has completed a consultation on appropriate terms for advice so the "Money Advice Service" brand will be dissolved after the new delivery model has been implemented.

2.60 The government does not believe that the new money guidance body needs a strong public brand. The money guidance body will have a limited corporate website, which hosts only content of interest to funders, the third sector and the industry, for example details of funding calls, project results and minutes of board meetings. There is no need therefore to have a name that resonates with the general public. The purpose of the new guidance body is to be a largely invisible commissioner of money guidance.

Linking the two public financial guidance bodies

2.61 It is important make sure that consumers can access all the information they need to make effective financial decisions. Some consumers have multiple guidance needs, and the information they need is often spread across different providers. The more often a consumer is referred to another provider, the more likely it is that they will lose interest and make decisions on the basis of incomplete information.

2.62 The new pensions guidance body will help with this – all pension questions can be put to the same place, and the move will bring the number of publicly funded bodies down from three to two. However, the government is aware that the proposed model could still cause financial guidance on linked matters to be separated artificially unless effective links are established between the two new bodies.

2.63 Therefore the government **proposes to put in place a partnership agreement between the new pensions body and the new money guidance body**. The partnership agreement will set out an engagement plan, which will include regular meetings at senior executive level and engagement with the two regulators – the FCA and the TPR. It will also require both bodies to share business plans and to communicate any major policy or service changes, new funding calls or consumer engagement activity early to allow the other body to respond. Building on the successful governance arrangements of the PRA and FCA, it will also set out a requirement for the CEOs of the money guidance body and pensions guidance body to sit on the board of the other body, to ensure that each CEO can set their business strategy in full knowledge of the activities of the other body.

2.64 Finally the partnership agreement will set out precise requirements for hand-offs between the partners of the two bodies to give consumers more streamlined guidance. The government would welcome views on what should be included in the partnership agreement to make it effective, and in particular how hand-offs could be most usefully drawn up.

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

2.65 The partnership agreement could be strengthened with a duty in legislation for the two bodies to cooperate, to make sure that it has sufficient status. The partnership agreement, and any associated legislation will be developed over the transition period and published on both bodies' websites after the new delivery body has been implemented. It will be updated regularly to reflect any changes to the structure of either body.

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

2.66 As financial services is a reserved matter and the new money guidance body will operate UK wide, the government does not expect that the proposed new delivery model will require any significant changes to be made to the partnerships in place with Scotland, Northern Ireland and Wales for delivering financial guidance. The government will work closely with the Devolved Administrations to ensure that the proposed new delivery model does not result in a reduced guidance service for consumers in these areas.

- **Q13. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?**

Transition to the new delivery model

2.67 The government will work with the current financial guidance providers to ensure that any valuable activities which are directly delivered by MAS can be commissioned out by the new money guidance body, so that consumers still have easy access to the information. This includes the important work that MAS is doing to support the successful delivery of the Universal Credit program, including awareness raising of basic bank accounts, and delivery of budgeting tools.

2.68 The government recognises the substantial effort and resources that has been invested in the development of the MAS website. It wants to make sure that any content which, following consultation, the government still considers useful, will not be lost in the new model. The new pensions guidance body will be expected to take over responsibility for hosting useful pensions content. The general money content which the government wants to preserve could be built into gov.uk where it relates to government policy. Where this is not appropriate, the new money guidance body will be expected to commission third parties to deliver it.

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

- Q15. Which content on the MAS website is most useful for consumers?
- Q16. Which content on the MAS website is it necessary to maintain because it is not provided elsewhere?

3 Response to the Public Financial Guidance Consultation

Overview

3.1 The *Public Financial Guidance consultation* ran from October to December 2015. 65 responses were received from individuals and a representative range of organisations including consumer groups and charities, the financial services industry, academics and membership organisations. This section summarises the responses received by theme and sets out a high level government response. The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2.

3.2 A full list of respondents is included at Annex B.

Vulnerable consumers (Question 1)

3.3 The *Public Financial Guidance consultation* sought views on whether consumers in vulnerable circumstances had any particular needs for public financial guidance. Many respondents emphasised the need for a tailored approach, and for guidance to be offered via a range of channels – including face to face for those who are digitally excluded, and online for those who have commitments which make appointments more difficult (e.g. full time care responsibilities). The particular needs of those with English as an additional language and those who turned to different trusted parties e.g. in their communities were also highlighted.

3.4 The government will make sure that guidance continues to be offered through a range of delivery channels in the new delivery model for public financial guidance.

Debt (Questions 2-4)

What happens now: a reminder

3.5 MAS has a statutory function to assist the public with debt management. MAS awards grants to five lead organisations to deliver free-to-client debt advice in England and Wales and has funding partnerships with the Scottish Government and the NI Assembly. It is funded by a levy on the financial services industry collected by the FCA.

Views on the current model

3.6 Consultation respondents were broadly supportive of the current contracting model whereby debt advice is contracted out to delivery partners. In particular, the majority welcomed the fact that over 91% of the budget went to the front line. However some respondents suggested that the model could be made even more effective with more industry input on setting minimum standards for carrying out debt advice appointments, and evaluating the success of the debt advice provided.

3.7 Many respondents welcomed the creation of the debt advice steering group as a positive move towards securing greater industry input, but some commented that the effectiveness of the group was hampered somewhat by its size – with more than 20 attendees.

3.8 The majority of respondents broadly agreed that when the new FCA regime which is currently authorising debt advice providers is in place, there would be a reduced need for a publicly funded debt advice provider to play a role in quality assuring debt advice provision, and that compliance and administrative workload could be reduced for providers if the quality assurance role of a statutory provider was scaled back. However, some respondents suggested that MAS's research means that a statutory body could still play a useful, more limited role in quality assurance, pointing out its ability to complement the FCA regime to ensure consistency of standards and to drive up quality.

3.9 The need for warm hand-offs was highlighted, i.e. attempting to ensure that consumers would be directly transferred to the right advice provider for them regardless of which provider they initially engaged with. Many respondents also identified the need to transfer customers with multiple guidance needs to other, non-debt providers. Some respondents went so far as to suggest a single front end portal and single point of contact triaging service for all debt advice clients. But several warned against a common triaging system, citing cost and effectiveness concerns. Others noted that if set up correctly, hand-offs would provide the same consumer benefit for a much lower cost.

3.10 On funding, many respondents supported the concept of a polluter pays funding base, where creditors contribute funding proportionate to the overall percentage of consumer debt their industry is responsible for. Some respondents identified the possible need to increase funding and capacity in the debt advice sector in the future as the number of indebted people is rising and the FCA authorisation process might reduce the number of providers. Respondents also noted the need to allocate funding and evaluate its impact more effectively.

3.11 Respondents also identified the need for more co-ordination of the wider debt advice sector. Debt advice is provided on both a free-to-client and paid basis, and the publicly funded provision makes up about 40-50% of the free-to-client market. Other funders fund free-to-client debt advice with donations and some respondents pointed to a need for the government to complement this third sector provision – and work together to ensure that there is sufficient capacity to meet the growing need for debt advice. Respondents suggested that this could be achieved by sharing case work data and signposting to other providers at peak periods.

3.12 The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2. The idea of a single triaging system was rejected on the basis that the money guidance body would need a strong brand to deliver this. However, the money guidance body will put in place an effective system of hand-offs to ensure that consumers can access the type of debt advice they need.

Pensions (Questions 5-7)

What happens now: a reminder

3.13 Pension Wise offers guidance to people aged 50 and over to help them make considered decisions about what to do with their defined contribution pension savings. Guidance is available online, and appointments are delivered by TPAS (over the phone) and Citizens' Advice (face to face). Pension Wise is funded by a levy on the Financial Services industry.

3.14 In addition to providing the Pension Wise phone service, TPAS also provides two core services: a pensions dispute mediation service, staffed by employees plus trained volunteers with extensive experience in the industry; and a helpline offering telephone, web chat and online channels that provides information and guidance on pensions. Non-Pension Wise activity is funded by grant-in-aid from DWP which is recovered via the General Levy on pension schemes.

3.15 MAS provide general guidance including support for consumers making choices about their retirement and managing their money through retirement. They provide a series of online guides and tools to help people to plan for their retirement. This is funded from a levy on the FS industry which is used for all of MAS's wider money guidance activity.

Views on the current model

3.16 There was a strong view that the scope of Pension Wise appointments could be expanded, with reduced reliance on a script. Many respondents called for the government to provide a holistic retirement guidance service that covers the whole range of topics that impacts retirement decisions, such as housing wealth, tax, debt, and the costs of health and social care. Some respondents also called for more guidance during the accumulation stage of pension savings and for more resources to be dedicated to building financial capability for older people.

3.17 Many respondents suggested pensions guidance should be closer to the advice boundary to deliver a more personalised and responsive service. Digital retirement guidance solutions were widely supported, with respondents calling for the government to support and facilitate the creation of a pension dashboard and support the use of decision trees and automated guidance. Respondents also believed there was a continued need for a multi-channel approach to pensions guidance, and called for a better triaging system.

3.18 There was a strong view that coordination with the financial services industry should be improved, with many calling for more co-operation to facilitate industry-wide tools and promote the range of guidance and advice solutions available. There was also support for a pensions guidance service to provide a better hand-off process to regulated financial advice, and in some cases more specific support for a portable "fact-find" which would reduce the cost and time involved in seeking regulated financial advice. There were also calls for greater clarity on how guidance on secondary annuities would be delivered.

3.19 Many respondents thought there should be some degree of rationalisation in this space as consumers are confused by the range of pension information available across the three provider websites – TPAS, Pension Wise and MAS. There were calls for integrating various aspects of the pensions guidance services, such as head office functions, delivery partners, and websites, with many calling for Pension Wise and TPAS to be merged.

3.20 On funding, there was some support for the current Pension Wise funding model. However, other respondents suggested that the levy base should be reviewed, especially if the scope was changed to provide a more holistic offering. There were some suggestions that the value for money of a pensions guidance service could be improved with greater integration and use of technology to reduce costs.

3.21 The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2. The new pensions guidance body will be expected to develop links with the financial advice sector. The body will be funded by proportionate levies on the pensions and financial services sectors. During the transition period, Pension Wise will begin providing guidance for people who are considering selling their annuity on the secondary market. In due course this service will be delivered by the new pensions guidance body.

Money and Financial Capability (Questions 8-11)

What happens now: a reminder

3.22 MAS has a statutory objective to "promote the understanding and knowledge of members of the public of financial matters". To achieve this, MAS contracts delivery partners to offer multi-channel guidance appointments, provides web content and financial self-assessment tools, and works with partners on specific projects. MAS also provides the secretariat for the UK's Financial Capability Strategy.

Views on the current model

3.23 Many respondents said that MAS's remit is overly broad, insufficiently clear and should be tightened to provide more focus. There was a commonly held view that MAS's statutory objectives required it to deliver on too many fronts, making it difficult for MAS to truly excel in any areas, and causing it to duplicate activity being carried out elsewhere.

3.24 Several respondents suggested that a more effective model for delivery of money guidance could be a more strategic body that had a focused coordination role, and did not deliver services directly. The majority of respondents wanted to see a publicly funded provider filling gaps in the market and building capacity in the third sector by providing funding.

3.25 Some respondents suggested that activities of this organisation should be explicitly defined to reduce the room for interpretation and ensure focus. There was also support for a body that focused primarily on financial capability and financial education as several respondents believed these are areas where public interventions are most warranted. There were calls to include financial education into the primary school curriculum, and to coordinate and facilitate the provision of good quality targeted financial education material for young children.

3.26 On the other hand, some respondents did not support further legislative changes to MAS's remit. They believed that MAS should be given time to fully implement the recommendations of the former independent review of MAS, conducted by Christine Farnish in 2014, and believed that their current remit is flexible enough to allow MAS to adapt and evolve. These respondents also approved of the fact that the statutory remit includes promotion of financial capability. A minority expressed support for a very broad remit that encompasses all aspects of public financial guidance.

3.27 Direct delivery of publicly funded money guidance received little support as respondents noted that most of the content is already available elsewhere. There were mixed views about the value of a central organisation conducting and disseminating its own research, although the value of coordinating research activity was widely recognised.

3.28 Some respondents believed that the government should provide a central hub for accessing information, guidance and advice, signposting customers to the good quality sources of help. The statutory body should coordinate guidance delivery and provide a strategic triaging service to refer customers to public, third and private sector provision of guidance and advice most appropriate for their needs. Respondents also identified raising awareness for the existence and benefit of guidance and advice as a key role that a statutory body should perform.

3.29 Innovative guidance solutions were a popular theme in the responses, with digital products and tools identified as an effective way to engage consumers. Respondents expressed the view that a statutory body could play a key role in coordinating or facilitating initiatives such as common-standard digital apps and tools, portable fact-finds, and self-service financial planning tools. A few respondents thought that publicly funded guidance carries greater value and trust for consumers, and believed there is a case for the government to kite-mark guidance services or to deliver those services directly.

3.30 The majority of respondents defended continued intervention to improve financial capability, citing the need for preventative measures to help reduce the impact of problem debt and other financial problems in the future. Respondents highlighted findings from the Financial Capability Survey on low levels of financial capability, citing findings that 4 in 10 adults are not in control of their finances and that one in five cannot accurately read a simple bank statement. Respondents also pointed out that well-informed capable consumers are required for the success of key government policies such as pension freedoms and Universal Credit.

3.31 The Financial Capability Strategy received support from respondents, and some respondents thought that it should be given time to work regardless of the outcome of the *Public Financial Guidance review*. Many thought that the statutory body should have a role in researching and coordinating financial capability initiatives. There was support for a statutory body's role in building and sustaining capacity in the sector, and in commissioning services and projects to fill any gaps that are identified. Respondents believed a statutory body should set goals for raising financial capability and use outcome-based evaluation to analyse progress.

3.32 Some respondents suggested that the funding could be rationalised by increasing coordination, reducing duplication and using evidence-based funding methods. Better engagement and interaction with the financial services industry were also broadly supported by respondents. Some respondents wanted the overall money guidance budget to be reduced, but others warned against any reduction in the money guidance and financial capability budget, noting the fiscal and social implications of low financial capability. Respondents also identified the need for reliable and longer term funding to give certainty for third sector bodies with uncertain funding streams.

3.33 The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2. The government noted that some respondents supported giving MAS time to react to the recommendations from the previous independent review, but thinks that with its currently statutory framework MAS would not be able to focus its activity sufficiently to achieve measurable results. The government agrees that financial education is important and the new money guidance body will be able to fund projects designed to raise financial capability for all age groups, based on need and cost effectiveness. The government does not support the idea of providing a central information hub, because the new money guidance organisation would need a strong brand, and significant resource to maintain this to a high enough standard for it to be useful, which would be expensive. The government wants to ensure that as much funding as possible is directed to the front line.

What does the government need to provide? (Questions 12-14)

3.34 Many respondents suggested that the government should play a more strategic role to complement third sector provision. They believed the government should coordinate guidance provision to ensure that customers are handed off and signposted to the most appropriate sources of help, as well as to set standards and to research and analyse what works. There was also support for a government role in encouraging new and long-term funding into the third sector, and in filling gaps which are not being filled with voluntary donations.

3.35 There was widespread support for a more integrated public financial guidance delivery model with many respondents citing better coordination and efficiency as key reasons for their support. The respondents identified the need for a more effective triaging or signposting system and the need to engage people through different trigger points and life stages. Respondents recognised the potential to deliver a more integrated solution by partnering with private and third sector organisations to make better use of "touch points" where people can be engaged. Many thought that the current guidance provision is too fragmented, and that customers would be better served if financial guidance is integrated into sources of help throughout the public sector (e.g. schools, job centres, and mental health services).

3.36 The respondents had mixed views about the idea raised in the initial consultation, to issue guidance vouchers. Although there was some support for this idea from technology providers who thought this would allow the provision of more specialised and technologically advanced guidance, the majority opposed the idea due to concerns about feasibility, efficiency and ensuring consumers could access a consistent quality of guidance. Other ideas included providing robo-advice, establishing a digital hub and outsourcing all services.

3.37 The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2. The majority of suggestions are integrated into the new delivery model, with the exception of vouchers as the idea had little support from respondents and posed significant delivery risks. FAMR found that there is widespread agreement that technology has an essential role to play in reducing the cost of advice and developing new ways to engage consumers. FAMR recommends measures to ensure new technologies can be exploited to drive down the costs of supplying advice, making it more affordable for consumers.

How should guidance be provided? (Questions 15-17)

3.38 There was widespread support for the core services and principles suggested in the consultation, and the need to restructure publicly funded provision was widely recognised. In the consultation document, the government identified free-to-client appointments to meet the pension guidance guarantee and co-ordinating the delivery of free-to-client debt advice as core services that publicly funded bodies should provide. Respondents agreed but added that the government should also take preventative action to ensure consumers did not experience with their finances in the future by supporting financial capability initiatives and initiatives to help consumers with saving for retirement.

3.39 A core service of free-to-client money guidance appointments received support from a few respondents, but many believed this should be scaled back or stopped altogether.

3.40 In the consultation document, the government suggested "consumer friendly", "rationalised", "efficient", "cohesive", "evidence-based" and "promoting innovation" as principles that should underpin the provision of public financial guidance. The majority of respondents agreed with these principles, though some suggestions were made in addition including "accessible", "holistic", "personalised", "coordinated", "impartial", "accountable", "reliable", "high quality", "independent", and "engaging with industry and consumers".

3.41 Most respondents supported a restructuring to create efficiencies and allow the publicly funded providers to focus activities more on those consumers who most need them. In terms of restructuring proposals, the two main proposals supported by the respondents included merging Pension Wise and TPAS; and merging all the guidance services into one body. Respondents identified more clarity for consumers, better coordination across the sector, and delivering more funding to frontline delivery as reasons to streamline provision of guidance.

3.42 There were a wide variety of proposals for how the delivery of public financial guidance should be structured. Some respondents believe a single reformed organisation should take over the responsibilities for all public financial guidance services that are currently delivered, whilst others believed that the body should only oversee, coordinate and signpost. Alternative suggestions included restructuring MAS into a signposting website, giving all of MAS's functions to the FCA and incorporating some of the guidance delivery functions into Citizens Advice.

3.43 A few respondents warned against restructuring for the sake of it, and believed that the current system works well enough and that further disruptive changes aren't necessarily helpful.

3.44 The government has taken account of these views in developing the proposed model for delivery of public financial guidance, set out in Chapter 2 and accepts all the new suggestions for principles which should underpin public financial guidance. The government is restructuring the delivery model to better meet consumer need. Respondents who stated a preference for a particular delivery model were split between those who supported merging TPAS and Pension Wise to create a new pensions body and retaining a money guidance body (the proposal which is set out in Chapter 2) and those who supported merging all three current guidance providers.

3.45 The government rejected merging all three providers because of the very different consumer need identified for publicly funded pensions guidance and other forms of financial guidance, and because a single body would have required a convoluted accountability regime, reporting jointly to two government departments, which could have compromised the effectiveness of the organisation. The partnership agreement which will be put in place between the new money guidance body and the new pensions guidance body is designed to ensure that the strategies and priorities of the guidance bodies are closely linked.

4 Final response to the Independent review of the Money Advice Service (2014)

4.1 In May 2014 the government launched the *Independent Review of the Money Advice Service* led by Christine Farnish, and asked that it report to the Economic Secretary to the Treasury with its recommendations by the end of the year.

4.2 The scope of the Review was to:

- Make an assessment of the need for consumer education and advice, including how this may evolve as, for example, individuals have greater freedom over their retirement options, and the role that MAS should play in the wider consumer education and advice landscape
- Assess how effectively and efficiently MAS is meeting this need through its current approach and delivery models
- Recommend any changes to MAS's approach and delivery models that would enable it to better meet this need

4.3 The government responded to the review in March 2015[1]. In the response the government made the following commitments:

- To undertake (with the Insolvency service) an in-depth review into providing indebted consumers with a "breathing space", in close consultation with the FCA, MAS and other stakeholders. The government is committed to exploring whether some form of "breathing space" would be a useful and viable addition to the range of formal and informal debt solutions available to consumers and creditors. The review is ongoing.
- To put the engagement with MAS on a more formal and regular footing, and establish a programme of senior official and ministerial meetings. These meetings are now taking place as planned.

4.4 In the response, the government noted that MAS and the FCA had committed to take forward their consideration and analysis of the recommendations relating to their organisations, and submit their conclusions and proposed action plans to the Treasury in autumn 2015. With the launch of FAMR, this timetable was adjusted and both organisations were asked to provide their analysis alongside responses to the *Public Financial Guidance consultation*.

4.5 The government committed to publish the conclusions of its analysis, along with any plans for statutory (as well as non-statutory) changes to MAS to the same timeframe. A brief overview of the key points arising from the MAS and FCA responses is provided below, and the government's plans for change are summarised in the proposal at Chapter 2.

[1] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/415008/PU1758_MAS_Review_response.pdf

4.6 MAS felt that more analysis was needed on 6 out of 25 of Christine Farnish's original recommendations, and this analysis was carried out with the help of a board of industry experts. The government's response to the key points raised is:

- On **gap filling**, the government agrees that in future identifying gaps in the guidance offer and prioritising projects which make a measurable different to consumers is the right approach.
- On **integrating debt avoidance into the debt advice regime**, the government agrees that more emphasis should be placed on helping consumers avoid debt or tackle it early.
- On **refocusing the website and marketing spend**, the government agrees that guidance would be more effectively delivered by partnering with other providers, not duplicating content.
- The government supports MAS' conclusion, reiterated by the FCA, that following a trial, that there is insufficient demand to warrant a specific **financial products helpline**. The government agrees with the FCA's conclusion that a triaging service between the various helplines on offer at MAS and FCA is not necessary as there is little overlap in service.
- The government agrees with MAS that it is important to ensure that consumers can understand terminology, but that coordinating activity to **simplify product information** does not need to sit with a publicly funded provider as FCA is already doing a lot of this.
- The government agrees with MAS' assessment that **kite marking** good quality guidance will not be of value to consumers.

4.7 In addition the FCA has:

- Considered the recommendation that it should require all retail firms to promote MAS's website and helplines, and decided to wait for the outcome of the *Public Financial Guidance Review* before taking forward any specific actions.
- Accepted all the recommendations relating to working more smartly with publicly funded providers including inviting MAS to attend relevant groups e.g. a coordination committee attended by FCA, FOS, FSCS and MAS which meets quarterly to discuss risk. The government supports a coordinated approach to sharing expertise.

4.8 The government has considered the recommendations of the *Independent review of the Money Advice Service* and the feedback from MAS and the FCA in developing the proposal for reshaping the guidance landscape, which is set out in Chapter 2. The government would like to thank Christine Farnish for conducting the independent review, which formed an important part of the evidence base for this review, and MAS and the FCA for their cooperation.

5 How to respond and next steps

How to respond

5.1 This paper is available at www.gov.uk

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

5.3 Responses to this consultation should be received by **8 June 2016**. The government cannot guarantee that responses received after this date will be considered.

5.4 Responses to this consultation should be sent to:
financialguidanceconsultation@HMTreasury.gsi.gov.uk

Confidentiality

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

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

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

Next steps

5.8 The government will review responses over the summer and publish a final response to the *Public Financial Guidance Review* in **autumn 2016**.

5.9 Legislative changes are likely to take 6-12 months, and the government would like to allow a reasonable transition period so the earliest date that the new model will take effect is April 2018.

5.10 The government will confirm the implementation timetable in the final response.

A List of questions

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

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

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

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

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

6 How could the new money guidance body work with the debt advice providers most effectively to ensure that their expertise is captured and informs contract design?

7 How do organisations currently monitor outcomes? Do you have any suggestions for the outcomes which should be monitored?

8 How could "hand off" arrangements be most effectively built into contracts?

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

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

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

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

13 Would these proposals have any impact on delivery of public financial guidance in Scotland, Wales and Northern Ireland?

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

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

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

B List of respondents

B.1 The government would like to thank the individuals and organisations who responded to the *Public Financial Guidance consultation.* The organisations were:

- ABI - Association of British Insurers
- Advice Services Alliance
- Advice UK
- Aegon
- Age UK
- Association of British Credit Unions Ltd
- Association of Member Nominated Trustees Ltd
- APFA – Association of Professional Financial Advisers
- Aviva
- B&CE
- BBA
- Brewin Dolphin
- Building Societies Association
- CICM – Chartered Institute of Credit Management
- Chartered Insurance Institute
- Citizens Advice
- Consumer Finance Association
- Council of Mortgage Lenders
- CreditFix Ltd
- Debt Resolution Forum
- Energy UK
- Equity Release Council
- Ferret Information Systems
- Financial Inclusion Commission
- Financial Services Consumer Panel
- Institute and Faculty of Actuaries
- ICAS (Institute of Chartered Accountants of Scotland)
- Insolvency Practitioners Association

- Institute of Money Advisers
- Investment and Life Assurance Group
- Later Life Academy
- Legal and General Group
- Local Trust
- London Housing Financial Inclusion Group
- Low Incomes Tax Reform Group
- LV=
- Macmillan Cancer Support
- Money Advice Scotland
- MAS
- Money Advice Trust
- The Money Charity
- MyBnk
- Nottingham City Homes
- OECD
- Partnership Assurance
- PLSA – Pension and Lifetime Savings Association
- The Pensions Management Institute
- Pension Policy Institute
- The Pensions Portal
- Personal Finance Society
- Prudential
- RBS
- Royal London
- Shelter
- The Society of Pension Professionals
- Stepchange
- Swiss Re Europe S.A.
- Tempo Pension Services
- True Potential Centre for the Public Understanding of Finance (Open University)
- Vanguard Asset Management

- Water UK
- Young Enterprise

HM Treasury contacts

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

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

Tel: 020 7270 5000

Email: public.enquiries@hmtreasury.gsi.gov.uk