Opinion: final stage IA
Origin: domestic
RPC reference number: RPC-3919(1)-DWP
Date of implementation: 1 October 2018

Regulatory Policy Committee

Establishing a single financial guidance body

Department for Work and Pensions

RPC rating: fit for purpose

Description of proposal

Pensions guidance, money guidance and debt advice are currently delivered by two government-sponsored services – the *Money Advice Service* (MAS) and the *Pensions Advisory Service* (TPAS), as well as by DWP under the *Pension Wise* banner. The Government believe that these arrangements are inefficient and there is an opportunity to improve the delivery of this financial guidance through the creation of a single financial guidance body (SFGB). This would enable savings to be made across back-office functions and is expected to create a simpler, clearer offering for consumers.

Impacts of proposal

At present, existing legislation and FCA rules require pension schemes to provide information to consumers on TPAS and Pension Wise services. The FCA also requires mortgage providers to signpost customers to MAS and debt management firms to make consumers aware of free-to-client advice funded by MAS in their first communication with a consumer. These rules will be updated to reflect the SFGB rather than MAS, TPAS and Pension Wise. Firms will need to amend their communications to comply with those updates. An estimated 1,060 pension providers, 65 mortgage providers and 150 debt management businesses will be affected.

This is estimated to involve a one-off cost of £5.65 million. This consists of £1.06 million to pension providers, £3.98 million to mortgage providers and £0.61 million to debt management businesses. This is based on information provided by four pension providers, four mortgage providers and three debt management companies. There are no ongoing costs associated with the proposal.

MAS, TPAS and Pension Wise are funded by levies on the financial services industry and a general levy. The replacement of these with an SFGB can be expected to generate cost savings which could be used to reduce the industry levy. However, the Department states that "T*hese indirect savings have not been estimated in this assessment due to the inherent uncertainty in estimating such savings, and* [as a tax] *they are outside the scope of the Business Impact Target*."

The Department states that the proposal would enable the creation of a single body with a single brand, and a single strategy, which is more likely to deliver guidance targeted to consumers' need. This appears to be supported by the views of stakeholders (paragraph 52 of the impact assessment - IA). The Department has been unable to estimate these wider benefits.

Quality of submission

The RPC is able to verify the equivalent annual net direct cost to business (EANDCB) of £0.6 million. The RPC has corresponded with the Better Regulation Executive (BRE) as to whether the proposal, which regulates the public sector, is a regulatory provision. BRE's legal advice appears to be consistent with the proposal being a regulatory provision. This is on the basis that, in replacing the existing three advisory services with a new single body, the proposal effectively changes the existing legal signposting requirements on business.

The RPC has also corresponded with BRE on the Department's exclusion, on the basis that it would be tax change, or a potential change in the industry levy. On the basis that any levy change would result from changes in public sector efficiency, the Department's exclusion of this impact from the business impact target would appear to be correct. If a levy change resulted from a change in the scope or amount of regulatory activity, then the exclusion would not apply and the impact would be a direct impact on business (as set out in RPC case histories).

The cost of establishing the SFGB are discussed in the IA but not monetised as "*The full scale of these costs will become clearer during the service design of the SFGB*" (paragraph 48 of the IA). The IA would benefit from further consideration of the likely scale of transition costs and potential longer-term savings from setting up the SFGB.

The Department has provided a sufficient rationale for not exempting small and micro businesses from the proposal and has demonstrated that specific mitigation measures are not proportionate. The small and micro business assessment would be improved by providing further information on how many of the providers affected are small and micro businesses.

Regulatory Policy Committee

Departmental assessment

Classification	Qualifying regulatory provision
Equivalent annual net direct cost to business (EANDCB)	£0.6 million
Business net present value	-£5.65 million
Societal net present value	-£5.65 million

RPC assessment

Classification	Qualifying regulatory provision (IN)
EANDCB – RPC validated	£0.6 million
Business impact target score	-£3.0 million
Small and micro business assessment	Sufficient

Michael Gibbons CBE, Chairman