our view on

Money Guidance and Generic Financial Advice

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Summary

The CII is a strong proponent of efforts to build financial capability. We believe it is essential not just to improve public access to financial services, but to restore much needed confidence in this sector.

- Money Guidance (formerly "generic financial advice" refers to the provision of impartial and supportive household financial guidance that is not linked to the sale of any product or service (not to be confused with debt counselling, regulated financial advice, guidance or sales).
- The Government is now undertaking a pathfinder of such a national service in the North East and North West. **Branded MoneyMadeClear**, it comprises face-to-face, telephone and internet elements.
- The CII believes this to be good for both the industry and society as a whole. However appropriate measures must be taken to ensure that the training and accreditation of money guides is of the highest quality.

Policy Background

The concept of a free, nationally available money guidance service has become an integral part of the Government's national strategy for financial capability:

- In 2007-2008, the Government undertook a feasibility study which explored in detail practical issues on the concept and delivery, and included a series of small pilots in towns in the North of England.[1]
- The Government implemented this recommendation, giving the FSA responsibility for delivering a **two-year Money Guidance Pathfinder** in the Northeast and Northwest of England. Branded ***MoneyMadeClear*** in keeping with the FSA's existing financial capability website, the Pathfinder aims to reach 500,000-750,000 people by internet, telephone and face-to-face services, and will have a budget of £12m.[2]
- The MoneyMadeClear service was launched on 14 April 2009, enhancing the FSA's existing www.moneymadeclear.fsa.gov.uk website with a nationally-available telephone service. The face-to-face element was launched in the pathfinder regions with the help of 14 delivery partners including Citizens Advice.

CII Position

We believe this initiative, if properly implemented, could improve public access to financial services and restore public confidence in this sector. [3]

- It could help the public make better financial decisions thereby creating a better performing retail market.
- Such a service could also help signpost the mass market to the appropriate form of regulated advice or sales to suit their needs. This could in-turn contribute to a more efficient financial advice market.

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1 HM Treasury, *Thoresen Review of Generic Financial Advice: Final Report* March 2008 www.hm-treasury.gov.uk/d/thoresenpn030308.pdf

2 HM Treasury/FSA, *Joint Action Plan for Financial Capability*, July 2008 www.hm-treasury.gov.uk/d/fincap_jointactionplan070708.pdf

3 CII press release "CII Group backs pilot to build trust in Money Guidance initiative," 4 March 2008

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Money Guidance service delivery issues

For a national service to be effective, the CII believes that the following issues must be addressed:

- **Training for advisers:** to ensure that advisers at all three channels (face-to-face, telephone and internet) meet minimum standards of training and competence. In addition to a host of technical knowledge on financial services, "Money Guides" must also demonstrate sound soft skills such as empathy.
- **Marketing the concept:** the public must sufficiently understand what money guidance is, and crucially what it is *not* (i.e. regulated advice, product sales or debt counselling). Appropriate resources must be allocated to the Pathfinder to communicate this complex message to the wider public.
- **Success criteria:** the extent of follow-up is a key performance measure. Not how many were helped but what percentage take further action as a result of the guidance they are given. The *MoneyPlan* pilot (see below) achieved a follow-up rate of nearly 80% of customers following up the guidance provided.

CII work in the areas of money guidance and generic financial advice

The CII has been active in supporting the Government's financial capability in general and the Money Guidance project in particular:

Supporting the Thoresen Review: we provided technical advice on training and accreditation issues, and also observed and fed back on some of the pilots. Our views were reflected in the final report.

Partnership with Citizens Advice *MoneyPlan* project: the CII through the PFS provides assistance with a Citizens Advice project known as *MoneyPlan,* whereby PFS members provide *pro bono* advice to consumers referred by their local CABs.

- a small pilot in 2005 led to a more substantial two-year scheme from March 2007 in 29 bureaux in England and Scotland, funded by Barclays and AEGON. By March 2009, 36 PFS advisers had helped over 1,100 consumers.[4]
- the scheme continues and many of the original IFAs continue to provide pro bono assistance and have expressed that they are happy to do so.
- an important by-product of this project is the powerful message of the value of *pro bono* financial advice to the community and to the profession.

Supporting research: the CII published two reports in 2008 exploring consumer financial capability and attitudes.[5] They both showed that a national service could help improve understanding of money matters:

- over half (53%) are less confident that their savings are safe, compared to 12 months ago;
- nearly half (45%) of consumers said they would use the proposed "Money Guidance" system; finally
- when asked who they rely on for advice, consumers showed a preference towards Citizens Advice.

Technical assistance to the Pathfinder: we actively participated in various discussions with the FSA training and delivery issues, and provided technical assistance to the FSA during pathfinder development.

The CII is the world's leading professional organisation for insurance and financial services, with over 93,000 members in 150 countries. We are committed to maintaining the highest standards of technical expertise and ethical conduct in the profession through research, education and accreditation. Our Charter remit is *to protect the public by guiding the profession.*

For more information on the CII and its policy and public affairs function, including examples of the range of issues in financial services and insurance that we cover, please see: www.cii.co.uk/policy.

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[4] Citizens Advice, *MoneyPlan: A Pilot Project Giving Independent Financial Advice to Citizens Advice Bureau Clients*, Final Report, June 2009. See also update on the website: http://www.citizensadvice.org.uk/final_moneyplan_report_june_2009.pdf

[5] See *Financial Capability: The Public's Perspective in the Current Financial Climate* (Aug 2008), and *Money's Too Tight to Mention: Will the IPOD Generation Ever Trust Financial Services?* (Oct 2008), both available at http://www.cii.co.uk/research