



HM Treasury



Department
for Work &
Pensions

Public financial guidance review:

consultation on a single body

December 2016



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Pensions

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Contents

	Page
Executive summary	3
Chapter 1 Introduction	5
Chapter 2 A single financial guidance body - remit and priorities	9
Chapter 3 A single financial guidance body - further particulars	13
Chapter 4 Responses to the public financial guidance review: proposal for consultation	17
Chapter 5 How to respond and next steps	21
Annex A List of questions	23
Annex B List of Respondents	25

Executive summary

In March 2016 the government published the 'Public financial guidance review: proposal for consultation' ['the consultation'], seeking views on the government's provision of debt advice and money and pensions guidance. As announced at Budget 2016, this document set out the government's plans to replace the Money Advice Service (MAS) with a new money guidance body and to bring together the Pensions Advisory Service (TPAS) and DWP's "Pension Wise" guidance into a new pensions guidance body. These plans were designed to reduce duplication in the provision of public financial guidance and to help consumers find the information they need.

The government received 79 responses to the consultation, the majority of which were supportive of the government's aims. Respondents agreed that the provision of public guidance is in need of reform, supported the government's plans to create a simpler guidance landscape, and encouraged the government to reduce duplication across pensions and money guidance. However, respondents raised concerns about how the proposed bodies would work together. Industry and consumer groups suggested that the government's plans could be simplified by creating a single guidance body that caters for consumers' complex guidance needs.

The government has listened to these views and decided that a single body would be better able to respond to the different financial guidance needs of consumers, making it easier for them to access the help they need to make effective financial decisions. The new body will bring together pensions guidance, money guidance and debt advice in one place, delivering and commissioning specific services to ensure that as many consumers as possible receive high-quality, impartial financial guidance. The body will have a strategic function, focusing on ensuring that the market understands and meets consumer demand, delivers value for money, and scales up financial capability projects that have been proven to work. With the exception of debt advice, the new body will not fund regulated financial advice, but will signpost consumers to other providers to ensure that consumers' guidance and advice needs are met.

This document summarises responses to the consultation and sets out a model for a new single financial guidance body which will commission advice for those in problem debt, co-ordinate efforts to improve financial capability (including the financial capability of young people) and provide information and guidance on matters relating to pensions, financial scams, and wider money matters. Through the document, the government wants to test with organisations which have experience of delivering successful consumer guidance services and others, whether this model will allow consumers to access the guidance they need to make effective financial decisions.

Next steps

The creation of the body is subject to the Cabinet Office approval process. The government anticipates that the new body will be launched no earlier than Autumn 2018. In the meantime, MAS, TPAS and Pension Wise will continue to deliver their statutory functions.

The government would like to thank all of the organisations that provided responses to the consultation and would particularly like to thank MAS, TPAS, Pension Wise and Citizens Advice for their continued support through this review process.

This consultation will close on **Monday 13 February 2017**. Responses to the consultation should be sent to financialguidanceconsultation@HMTreasury.gsi.gov.uk

1 Introduction

Background to this document

1.1 Levels of financial capability in the UK are low and many people face significant challenges when it comes to managing money, avoiding debt, building up savings in the short term and balancing this with saving for security in retirement. The government is committed to ensuring that consumers have access to the information and guidance they need to make effective financial decisions throughout their lives.

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

1.3 However, there are both gaps in the guidance available to consumers and duplication of content between MAS, TPAS and Pension Wise. The government believes this arrangement is inefficient and confusing for consumers, with a lack of coherence between the strategies and business plans of the three services.

1.4 The government began its review on reforming the publicly funded financial guidance landscape in October 2015 with the 'Public financial guidance: consultation'. This consultation sought views on demand for the public provision of debt, pensions and money guidance, on how public financial guidance should be structured and funded, and on how the government can make the provision of public financial guidance more effective for consumers.

1.5 In response the government published the 'Public financial guidance review: proposal for consultation' ['the consultation'] in March 2016. This proposed a new two-body guidance model – a money guidance body and a pensions guidance body.

1.6 During the review, industry and consumer groups raised issues about how these two bodies would work together effectively and whether a single body would provide a better, more coherent service for consumers. The government has listened to these views and has decided that a single financial guidance body would provide a more efficient service and be better able to respond to the needs of consumers, making it easier for them to get access to the information and guidance they need to make effective financial decisions. A summary of responses to this consultation is at Chapter 4 and a full list of respondents at **Annex B**.

1.7 The government has concluded that it will be more effective to create a new statutory body, transferring the best features of the existing services to the new body. This will enable the new body to establish a new organisational culture and values. A new body will have a clear legislative remit with appropriate legislative controls, and an effective and robust stewardship arrangement.

1.8 The government's plans to create a single body are set against a backdrop of broader reforms and initiatives intended to help consumers build savings and improve financial resilience and capability. The new body will need to be able to adapt its service offer and provide information and guidance to equip consumers to deal with these changes.

1.9 Since 2012, employers have been required to automatically enrol their eligible workers into a workplace pension scheme. Already 6.9 million people have been automatically enrolled into a workplace pension by 294,000 employers. By 2018, 10 million workers are expected to be

newly saving or saving more into a workplace pension as a result of automatic enrolment. In addition, the introduction of the pension flexibilities in April 2015 has prompted pension and financial services providers to develop new products and choices for people aged 55 and over with defined contribution pension pots.

1.10 The government's recent consultation¹ proposed a Pensions Advice Allowance which will allow people to withdraw up to £500 tax-free from their defined contribution pension pot to redeem against the cost of financial advice, increasing the accessibility and affordability of financial advice at retirement. It will prevent individuals from having to pay large advice fees out of their everyday income, and act as a nudge for people to consider taking financial advice where that is appropriate.

1.11 Further, the government is currently consulting on banning pensions cold calling.² The measures proposed include a ban on cold calling in relation to pensions to help stop people becoming victims of fraudsters, giving firms more power to block transfers to stop people's life savings being transferred into scams and making it harder for fraudsters to open fraudulent small pension schemes to cut scams off at the source.

1.12 Finally, the government is consulting on the Financial Advice Market Review (FAMR)³ recommendation to change the UK definition of financial advice. The change will mean that consumers only receive "regulated advice" when they are offered a personal recommendation. Currently firms are reluctant to offer customers targeted guidance for fear of crossing the boundary into regulated advice. FAMR proposed a new, clearer definition that will give firms the confidence to develop better guidance services to help customers make informed financial decisions. The consultation, 'Amending the Definition of Financial Advice'⁴ closed on 25 October 2016, and the government will respond in the New Year.

1.13 The government believes that, where appropriate, the new body should focus its financial capability interventions on improving the financial resilience of those most in need of support.

1.14 In undertaking this consultation, the government has focused on how a single financial guidance body could deliver the best possible service for consumers. To inform the debate, the government has developed a set of principles to consider when weighing up proposals for changes to the financial guidance landscape.

Consumer focused – allowing the delivery model to adapt to changing customer needs and prioritise services, where appropriate, on particular groups. These groups include those approaching retirement and those most in need of support to improve their financial resilience.

Value for money – ensuring the service is efficient, avoids unnecessary duplication and delivers value for money.

Sustainability – enabling the single financial guidance body to keep pace with changes to financial services and pensions and technological advances.

¹ HM Treasury, Introducing a Pensions Advice Allowance (August, 2016); <https://www.gov.uk/government/consultations/introducing-a-pensions-advice-allowance>

² HM Treasury, Pensions scams: consultation (December 2016); <https://www.gov.uk/government/consultations/pension-scams>

³ HM Treasury and FCA, Financial Advice Market Review: Final Report (March, 2016); <https://www.fca.org.uk/publication/corporate/famr-final-report.pdf>

⁴ HM Treasury, Amending the Definition of Financial Advice (September, 2016); <https://www.gov.uk/government/consultations/amending-the-definition-of-financial-advice-consultation>

Structure of this document

1.15 As well as seeking views on how a single public financial guidance body might effectively be structured, the document provides the government's formal response to the earlier consultation published at March 2016. For the purposes of this document, the new body will be referred to as the Single Financial Guidance Body or SFGB.

1.16 Chapter 2 sets out the government's broad proposals for the SFGB, explaining that the SFGB will incorporate the best of MAS, TPAS and Pension Wise to deliver or commission debt advice, pensions and money guidance. The chapter proposes 5 priorities for the SFGB, outlining the new body's remit as to provide debt advice and information on pensions, financial scams and general money matters, and to co-ordinate non-governmental financial education initiatives. Finally, the document sets out a proposed strategic role for the new body and expectations for research and evaluation.

1.17 Chapter 3 builds on the content of Chapter 2 by outlining further particulars on how the new body will work in practice. The chapter outlines the government's proposals regarding the SFGB's delivery channels, and seeks views on the ways the SFGB could best engage with consumers and use its funding to deliver value for money.

1.18 Finally, Chapter 4 summarises the responses to the March 2016 consultation. There were 79 responses from organisations and individuals. The respondents included organisations from the charity sector, industry and the devolved administrations.

1.19 This consultation will consider whether there are particular difficulties in relation to public financial guidance for consumers in vulnerable circumstances. We will consider if there any groups of people with protected characteristics under the Equality Act 2010 who face particular difficulties in accessing public financial guidance. The protected characteristics relate to, in alphabetical order: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, and sexual orientation.

Q1: Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?

A single financial guidance body - remit and priorities

2.1 This chapter sets out a model for a single financial guidance body (SFGB) that will bring together debt advice and money and pensions guidance in one place. The proposals take into account responses to the 'Public financial guidance review' from charities and the financial services and pensions industries. The government agrees that consumers would benefit from a single source of government backed, free-to-client financial guidance.

2.2 The government proposes that the SFGB adopts a mixed delivery model, delivering some services directly and commissioning external, specialised, providers to deliver others. The SFGB will fund providers to deliver regulated debt advice, but will not provide or support any other form of regulated financial advice. The overarching purpose of the body is to ensure that people get the right support to help them make financial decisions throughout their lives, not to provide individuals with regulated, bespoke advice on specific financial decisions.

2.3 As part of its remit, the government thinks the SFGB should have a strategic role to ensure funding is directed to where it is most needed in the guidance landscape and to programmes that have been proven to work. A proposed remit is outlined in the section below. Detailed legal objectives for SFGB will be developed later in the process, informed by responses to this consultation.

Remit of the SFGB

2.4 The government thinks that the SFGB should complement the services provided by other organisations. It should work with the financial services sector, pensions industry, charities and government departments to help people get the right information and guidance that they need either directly from the SFGB or from other high quality sources.

2.5 The government has therefore identified 5 key areas that the SFGB should focus on to help consumers access the financial information and guidance they need.

2.6 Although these areas are grouped separately, the government recognises that distinctions between money, debt and pensions guidance can be artificial and that consumers often have more complex guidance needs. The 5 areas that the SFGB will deliver or commission services are:

- provision of debt advice for those in problem debt
- provision of information and guidance on matters relating to occupational or personal pensions, accessing defined contribution pension pots, and planning for retirement
- providing information to help consumers avoid financial fraud and scams
- provision of information for people on wider money matters and co-ordinating and influencing efforts to improve financial capability
- co-ordination of non-governmental financial education programmes for children and young people

2.7 The provision of readily available **debt advice** remains a government priority. Problem debt can blight individuals' lives and the government believes it is essential that people should be able

to access advice to help them get back on their feet. Demand for free-to-client advice is increasing further as the Financial Conduct Authority's (FCA) authorisation process removes debt advice firms who do not meet their standards from the market. In this context, the government is clear that SFGB must continue to fund debt advice to help ensure supply meets demand.

2.8 Providing information and guidance about private pensions also remains a government priority. The introduction of automatic enrolment is expected by 2018 to result in more than 10 million people newly saving or saving more into a workplace pension. In addition, the pensions freedoms introduced in 2015 increased options as to what people can do with their defined contribution (DC) pension pots, providing more choice about when and how people can access and use their pension savings. In this context, it is important that the SFGB will continue and build upon the good work TPAS, Pension Wise and MAS have done in promoting information and guidance for people who need help with pension issues, saving into a pension and planning for their retirement.

2.9 Protecting consumers from financial fraud and scams continues to be a priority for the government. Financial fraud is distressing and, at its worst, can leave consumers with little or no savings and ill-equipped to face an unexpected financial shock. In particular, pension savings tend to be one of the largest financial assets for an individual in the UK, making them an attractive target for fraudsters. Pension scams can cost people their life savings, and leave people facing retirement with limited income, and little or no opportunity to rebuild their pension savings. Individuals reported nearly £19 million in suspected pension liberation fraud between April 2015 and March 2016 – twice as much as for the same period in 2014 to 2015. The SFGB will provide information about the risk of pensions fraud and scams, and work with government agencies and the pensions industry to increase consumer awareness of possible pensions fraud and scams.

2.10 It also remains important to the government that the SFGB should seek to **improve levels of financial capability and provide some focused guidance on general money matters**. The government expects the SFGB to provide some focused information on money matters, and to focus its financial capability interventions on groups that are most in need of support to build resilience. These consumers often have less flexibility to respond to an income shock and would benefit from greater financial capability. These groups closely align with those the government identifies as just about managing. The government therefore expects the SFGB to focus its financial capability resources and general money guidance services on these groups.

2.11 Finally, the government thinks the SFGB should aim to **maximise the impact of financial education for children and young people** so that young people are prepared for the financial challenges they will encounter when they manage their own finances and pensions. Financial education has been on the curriculum in Scotland, Wales and Northern Ireland for several years. The government added financial education to the secondary school curriculum in England in 2014, and remains committed to the provision of financial education through the school syllabus. Financial services firms and charities offer programmes inside and outside of schools and stakeholders have suggested that a sector-wide body might usefully co-ordinate and influence these programmes. The government agrees that the SFGB should aim to work with the providers of these services to ensure that as many children as possible can benefit from well-targeted and well-constructed financial education programmes.

2.12 The government considers that a remit covering the areas outlined above will enable the SFGB to target the areas of greatest consumer need identified by stakeholders throughout the *Public financial guidance review*, while providing sufficient flexibility to adapt to emerging needs. The remit is designed to give the new body a cohesive purpose, understood by all.

Q2. Do you agree that these areas capture what the broad role of the SFGB should cover?

Q3. Do you agree that the FGB's financial capability initiatives should focus on priority groups such as those who are most in need of support to build resilience?

Strategic role

2.13 As noted above, the government is clear that providing a simple guidance service is not sufficient. In order to help build capability and enable people to make better decisions about their finances, including pension provision, the government expects the SFGB to take on a strategic role to ensure that funding is delivered to high-quality programmes that have been proven to work and to help consumers in most need. The government also thinks that channelling resources into developing a strategic role will maximise the effect of services that the SFGB delivers directly or through other providers.

2.14 The cross-sector Financial Capability Board runs the UK Financial Capability Strategy¹, which aims to improve consumers' knowledge, confidence and skills with regard to money matters. The Strategy brings together the financial services industry, the pensions industry, the public sector and charity sector organisations that seek to help people of all ages manage their money better and plan for retirement. Through the strategy, organisations are aiming to understand financial capability problems in depth, develop ways to improve capability based on evidence, and bring organisations together to share learnings on financial literacy, financial resilience and pensions savings initiatives in a joined up, strategic way.

2.15 MAS provides secretariat support to the Financial Capability Board and through its 'What Works' programme, invites applications for funding from providers that wish to pilot and evaluate innovative solutions to financial capability problems, evaluate existing projects, or evaluate and scale-up existing programmes. The overall aim is to build a body of evidence of best practice and to roll out successful interventions on scale.

2.16 The government believes that the SFGB should continue this role and should aim to minimise duplication with industry and the third sector so that money is directed to where it is most needed and where it will make most impact.

Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations to improve financial capability?

Research and evaluation

2.17 The government expects the SFGB to have a role in research that develops an understanding of what actually helps consumers to make better financial decisions, and in sharing and promoting best practice.

2.18 The SFGB will be expected to build an understanding of where the need for debt advice outstrips supply, which consumers are most at risk of problem debt, which consumers are at risk of making poor financial decisions and what financial education programmes are being

¹ <https://www.fincap.org.uk/>

supplied. The government also expects the SFGB could usefully build an understanding of where there is a need to address issues such as digital inclusion for older people, safeguards against financial scams, financial planning in later life and ways to encourage people to plan for their retirement.

Q5 How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?

2.19 The SFGB will be required to evaluate the impact of any money, debt, pensions and retirement planning projects that it funds. Evaluation should be undertaken in collaboration with service providers and the SFGB will be expected to use these evaluations to inform its future service and commissions.

2.20 The SFGB will be expected to publish all research that it conducts and evaluations of all the projects it funds, including those which do not lead to good outcomes for consumers. The government thinks that it is equally important to demonstrate why some projects do not work as it is to demonstrate why other projects are successful. The body will also be expected to regularly share key analytics from its guidance service to ensure that organisations across sectors can understand the biggest problems facing consumers at any particular time and develop programmes to respond.

2.21 MAS has supported several programmes aiming to improve the financial education of young people by providing funding and evaluation. The government expects the SFGB to undertake similar work and to commission and evaluate financial education initiatives to give as many children as possible access to high quality financial education programmes. The government is keen to learn which projects have been most successful and where the SFGB might provide leadership in helping the financial education of children and young people.

Q6. In what ways could the SFGB co-ordinate and add value to the provision of financial education?

A single financial guidance body - further particulars

3

3.1 This chapter sets out further detail on the government's plans to create a single financial guidance body (SFGB) and asks stakeholders for their views on the channels the SFGB should use to engage with consumers. The chapter also sets out the government's proposed funding and accountability arrangement for the SFGB.

Delivery channels

3.2 The government thinks that the SFGB will be best placed to design its service delivery and should be given opportunity to decide the best way to deliver value for money and to meet consumer need. However, the government expects the SFGB to provide a multi-channel information and guidance service, including a customer facing website, a telephone service to access pensions guidance, and the provision of some face to face support.

3.3 The SFGB will have responsibility for deciding the balance of these channels and whether to deliver them directly or through external providers. However, the government expects the SFGB to commission external providers to provide debt advice.

3.4 Many people rely on digital services for information and guidance on key financial decisions and it is therefore important that the SFGB has a **website**. Our expectation is that the SFGB website will provide information to services on money, pensions and debt and will direct consumers to high-quality content where it is available elsewhere in order to minimise duplication. In addition, the government expects the SFGB to innovate, ensuring that it meets the needs of consumers efficiently and effectively through best use of new digital routes.

3.5 The SFGB will be expected to provide a **telephony service and webchat service** that will give pensions guidance or signpost consumers to help from other parties or regulated financial advisers or debt advice providers. The government expects that guidance on pensions will continue to be delivered through a telephony channel, but for other matters the government expects that the SFGB will generally provide signposting or handoffs for consumers in need of broader guidance on financial matters, or financial advice.

3.6 The government has listened to calls from respondents through the review to ensure that some face to face guidance remains available, including for those who are unable to access other forms of guidance due to poor internet and/or phone coverage in their area.

3.7 The government expects that the SFGB will continue to provide sufficient face to face pensions guidance and fund some face to face debt advice. In addition, the government expects the SFGB to fund financial capability projects with a face to face element if the project backer can demonstrate a clear need in a particular area. Precise decisions on the balance of guidance offered face to face compared with other channels will be left to the SFGB to make based on robust, evidence based justifications.

Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?

Engaging consumers

3.8 The government recognises that engaging ‘the unengaged’ consumer on financial matters is challenging. As noted, there is a clear social need to help those who are already in crisis, but for the new SFGB to generate lasting change, the body must also take steps to prevent crisis by educating consumers and helping them develop better financial behaviours.

3.9 There are a number of ways that the new body could reach out to consumers. We have learnt from MAS’s experience that untargeted advertising is ineffective in raising brand awareness and helping people access services. When first set up, MAS put significant effort into advertising its brand, intending to create sufficient brand awareness that consumers would remember and contact MAS when they had questions. This approach was not fully successful – MAS achieved only a 5-10% brand recognition despite over £100 million on marketing.

3.10 Instead, the government believes it is important that the SFGB has a well-optimised website. One of the lessons learnt from MAS is that traffic is optimised through consumers’ searches in search engines. In addition, the government thinks it is important that consumers are directed to the SFGB by communications provided to consumers by industry. The government is exploring further opportunities to provide consumers with information at key life stages, including the point of automatic enrolment.

3.11 The government will work with industry to ensure that providers have time to update references in their communications from the existing services to the new body.

Q8. How should the SFGB ensure that it engages consumers at the right time for them?

Quality assurance

3.12 In previous consultations, the government asked whether it was helpful for a new guidance body to have a role in providing quality assurance for the debt advice sector. Responses were mixed, with many respondents crediting improvements in the debt advice sector to MAS, but a few questioning whether MAS was behaving like a regulator by imposing standards on the sector without a clear remit.

3.13 The government thinks that the new SFGB should continue the good work that MAS has done in meeting its statutory requirement to promote best practice, and placing requirements on providers through contracts to encourage providers to develop better guidance options for consumers. However, the government does not think that the new SFGB should have a formal role in setting standards for the sector; it remains the role of the regulator to set and monitor appropriate standards.

3.14 In the consultation the government also asked stakeholders whether limiting the providers of debt advice to FCA-authorized firms would rule out any types of providers. The government has decided that the SFGB will be required to commission FCA-authorized debt-advice providers or those who are exempt from authorisation but can demonstrate a high quality service. One way to demonstrate a high standard would be to apply for funding as part of consortium including a FCA-authorized partner.

Governance and accountability

3.15 The government proposes that the SFGB be set up in statute as an arm's-length body accountable to Parliament and stewarded by one lead government department. A decision regarding the lead department has yet to be taken, but HM Treasury and DWP are working closely together on the policy design and will retain their current policy responsibilities.

3.16 In line with other arm's-length bodies and Cabinet Office guidance, the SFGB should have a unitary Board comprising of a Chair, non-executive directors and executives. The Chair, non-executive and CEO appointments will be Ministerial appointments and will adhere to the Code of Practice published by the Commissioner for Public Appointments.¹

3.17 The government expect non-executive appointments will represent expertise across the financial services and pensions industries, and consumer and charitable sectors.

Funding

3.18 MAS, TPAS and DWP's 'Pension Wise' guidance are currently funded by levies on the financial services and pensions industries. At present:

- MAS is funded by two separate levies on the financial services industry – a debt advice levy and a money guidance levy
- Pension Wise is funded by a third levy on the financial services industry – a pensions guidance levy
- TPAS receives grant-in-aid from DWP which is recovered from the General Levy on pensions schemes

3.19 The FCA works with MAS and DWP (for Pension Wise guidance) to determine appropriate contributions from different types of funders for the three levies on the financial services industry. Some funders pay into all three levies.

3.20 The government intends to continue to levy these industries to fund the SFGB. A levy funded model remains appropriate given the benefits which firms will gain over time from effective debt advice, money and pensions 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 and pensions sector, leading to reductions in debt write-offs, increased demand for products, and reduced costs of regulation.

3.21 The government's expectation is that the amounts charged to the levies to deliver information and guidance will remain in line with the amounts charged before the new arrangements take effect. However, as the efficiencies generated from merging the three current services into a SFGB begin to materialise, it may be possible to reduce the overall cost over time.

3.22 Although some in the industry have called on the government to widen the funding base and expand the debt advice levy to other creditors (e.g. utility companies), there are no plans to do this at this time. The government and the FCA will keep this under review if the debt advice landscape changes following the completion of the FCA's authorisation process.

¹ <http://publicappointmentscommissioner.independent.gov.uk/wp-content/uploads/2012/02/Order-in-Council-April-2012.pdf>

3.23 Currently, the funding delivered to MAS, TPAS and Pension Wise is ring-fenced for debt advice, money guidance and pensions guidance. The government thinks it important that levy payers see their contributions fund activities of direct benefit to their organisation.

3.24 However, the government believes the SFGB should have some ability to decide how to use funding to best meet consumer need and to respond to emerging needs. The aim of the SFGB is to make it as easy as possible for people to access the guidance and information that they need and the government thinks that holistic delivery should be matched with greater flexibility in how to use funding. The government therefore proposes that the SFGB should be given a degree of flexibility in how it uses its funding.

Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?

Transition

3.25 It is essential that MAS, TPAS and Pension Wise continue to deliver their core services until the SFGB is up and running. HM Treasury, FCA and DWP are working with these organisations to ensure that consumers continue to have access to financial guidance during the transition phase and that there is minimal disruption until the SFGB takes over. To ease the transition to the SFGB, the government anticipates that it will appoint a transitional leadership team for the SFGB as soon as possible during the legislative process.

3.26 Besides necessary changes to legislation which currently require schemes to signpost to MAS, TPAS or Pension Wise, the government is aware that industry will need time to make changes to their websites, literature and communications. The government will therefore be engaging with industry and other interested parties so that they are kept informed of developments that might impact on them and are therefore able to plan accordingly. Working with stakeholders through the design of the SFGB and the transition period, the government will seek to minimise the impact on industry.

Devolved administrations

3.27 The government will work closely with the devolved administrations (DAs) to ensure that consumers across the UK can benefit from the SFGB's services, but that there is sufficient flexibility for DAs to respond to local priorities. Given that pensions is a reserved matter, the government proposes that the guidance service is UK-wide but that DAs should be involved in the process for awarding contracts for debt advice contracts and financial capability projects in DAs.

Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?

Q11. Do you have any other comments about the proposed delivery model and consumer offer?

Responses to the public financial guidance review:

4 proposal for consultation

4.1 The consultation ran from 16 March until 8 June 2016. This document outlined government's plans to replace the Money Advice Service (MAS) with a new money guidance body and to bring together the Pensions Advisory Service (TPAS) and DWP's Pension Wise guidance into a new, pensions guidance body.

4.2 The government received 79 responses from a range of organisations. A full list of those who responded to the consultation is at **Annex A**.

Overview

4.3 The majority of respondents broadly welcomed the government's intention for a greater proportion of funding to be directed towards the front line delivery of pensions guidance, debt advice and money guidance. Respondents also agreed with the government's proposal to simplify the public financial guidance landscape, and agreed that rationalising the current guidance providers - MAS, TPAS and Pension Wise - would help to reduce the duplication of financial guidance available to consumers. Respondents noted that any new bodies should take on a strategic role to help co-ordinate activity and add value beyond simply funding pensions guidance, debt advice and money guidance.

4.4 However some respondents raised concerns about how two bodies might work together effectively, and suggested there was scope for the government to simplify the public financial guidance landscape further. These respondents suggested that a single body would provide a better service for consumers and avoid any duplication that could have been unintentionally created by ever-broadening remits of two bodies.

Consumer offer on pensions guidance

4.5 In the consultation the government proposed that the pensions guidance body would continue to provide the core functions currently delivered by TPAS and Pension Wise, including the private pensions content on the MAS website. Some respondents thought that the proposed pensions body should be "holistic" in its approach and help consumers to manage their pensions long before retirement.

4.6 A number of responses highlighted the need for interaction between pensions information and guidance, wider money guidance and debt advice. They also noted the critical importance of the two proposed bodies working closely together through a partnership agreement and 'warm' handovers. **The government has listened to these concerns and believes that a single financial guidance body will be better placed to ensure that pensions guidance is delivered alongside broader money guidance.**

4.7 Some respondents also suggested that the proposed pensions guidance body should provide clarification around the pension reforms. There was concern about the continued prevalence of scams, individuals not understanding the new state pension and the role of the new Lifetime ISA (LISA) when compared with being automatically enrolled into a workplace pension scheme. There were also a few calls for the new body to have a role in the new

pensions dashboard. Through DWP, the government will continue to provide guidance on the state pension. As announced at Budget 2016, the government is working with industry to ensure that a pensions dashboard is made available to consumers by 2019. In addition, the government is consulting on plans to ban pensions cold calling.

4.8 One respondent thought the body should only cover issues related to pension complexities, mis-selling and scams, suggesting that all other issues could be dealt with by the existing market. Another respondent was clear that complementing the market also applied to how the service was delivered, commenting that the tendering procedure should be transparent in respect of any contracts.

Consumer offer on debt advice

4.9 In the consultation the government proposed that a new money guidance body would exclusively fund debt advice providers that have been authorised by the Financial Conduct Authority. There was a broad consensus among respondents that this would be an effective approach and would help to improve quality and ensure fairness in the distribution of funding.

4.10 However, some expressed the concern that limiting providers of debt advice to FCA- authorised firms may rule out collaboration with local authority debt advice services and that the new body should distinguish between services tendered that require FCA authorisation and other types of service where this threshold may not be appropriate. Some of these respondents noted that a compromise solution could be to allow authorised debt advice providers to subcontract non-authorised providers if they could demonstrate sufficient levels of consumer protection. **The government agrees that local authorities should not be ruled out by default and is in principle willing to support bids from consortia including an FCA- authorised partner.**

4.11 Some respondents suggested that the money guidance body might wish to involve a broader range of organisations – including health agencies and domestic abuse agencies – in order to extend reach to new communities. **The government thinks that it is important for the focus of the financial guidance body to remain on financial matters, but agrees that it would be valuable for the single guidance body, working with the organisations involved in the financial capability strategy, to explore new ways to reach underserved communities.**

4.12 Respondents welcomed the suggestion that the proposed guidance body should work closely with providers and creditors to design contracts and monitor debt advice provision to ensure that consumers receive the best possible support. Some also suggested that the proposed money guidance body could establish a panel of debt advice providers and industry experts, or draw upon existing groups, to inform contract design.

4.13 A minority of respondents disagreed with the government's stated expectation that the organisations funded by any new guidance body should report on outcomes to outline how consumers are benefitting from debt advice. These respondents argued that the monitoring and assessment of contract holders should be kept to a minimum, as monitoring places a burden on debt advice providers. However, most respondents agreed that the new body should report on outcomes, offering a variety of performance indicators that the new body might employ. **The government is clear that the single guidance body must monitor outcomes to demonstrate its impact and that it should draw on best practice from across industry and the third sector.**

4.14 Respondents had mixed views on whether any new guidance body should have a quality co-ordination role to ensure that debt advice services and money guidance outputs are accurate, relevant and meet consumer need. A number of respondents supported this role, noting that MAS conducts valuable work in this area, and identifying the value of MAS' quality framework, and accreditation schemes as good examples. Others thought that MAS' role was unnecessary

and provided an additional burden to service providers. **The government will expect the SFGB to engage with providers across the sector to determine the most effective interventions and to develop commissioning plans.**

Consumer offer financial capability and money guidance

4.15 Some respondents were concerned about the term ‘financial capability’, noting that it is hard to define and has contributed to MAS’ overly-broad remit. However, many suggested that the proposed money guidance body should focus on the improvement of financial capability on a national scale, with an overarching objective included to this end.

4.16 Many respondents argued that MAS’ financial capability work should be continued by the proposed money guidance body. One suggested that the body should find a way to co-ordinate and direct the financial capability initiatives currently undertaken by government, industry and the third sector. **The government agrees that financial capability is important and expects the SFGB to continue to contribute to improving financial capability for those who most need support.**

4.17 There were several suggestions for how the proposed body should understand gaps in the provision of money guidance. Many respondents suggested an extensive mapping exercise to identify areas of current provision, areas of consumer need, and areas where the two are not aligned. **The government agrees that a mapping exercise will fulfil a useful function.**

4.18 Respondents also stressed the need for any new guidance bodies to draw upon expertise within industry and the third sector, with one respondent noting that the body should operate an ‘open door’ policy to allow organisations to pitch for funding where they have identified gaps. A few respondents noted that gaps should be understood in terms of key life stages, while others stressed that the proposed money guidance body should seek to understand and to address the barriers to entry that prevent consumers accessing the money guidance provision that is already available.

4.19 There was a mix of views on the extent to which the new guidance body should fund local projects. Several respondents said that there is value in local initiatives but others argued that a local focus could create a patchwork of disconnected initiatives that fail to address financial capability as a national issue.

4.20 There was far less disagreement about the government’s proposal for the proposed body to commission digital tools in order to raise financial capability. Several respondents noted the potential of digital products to increase consumers’ ability to budget well and to assist financial decision-making. However, others noted that digital tools should be complemented by face-to-face and telephony services. These respondents noted that digital exclusion remains disproportionately high in certain localities and among older people. **The government agrees that a mix of projects and solutions will be appropriate and will not place constraints on the mode or scale of projects that the financial guidance body can fund.**

4.21 A number of respondents also suggested that the improvement of financial capability among children and young people should be an objective of any new guidance body. Many respondents were positive about MAS’ efforts to coordinate financial education and thought it should be continued, a view supported by the All Party Parliamentary Group on Financial Education.¹ **The government agrees and believes the single guidance body should help to co-ordinate and add value to financial education provision.**

¹ All Party Parliamentary Group on Financial Education for Young People, Financial Education in Schools: Two Years On – Job Done? (2016)

4.22 On research, the majority of respondents recognised the need for the proposed money guidance body to conduct or to commission research in order to meet consumer need. Some respondents welcomed MAS' current financial capability research, while others noted that a research function will be essential if the body has a commissioning focus. Most respondents agreed that the body's research activity should be focused around identifying gaps in the financial guidance market and evaluating the effectiveness of the interventions it funds. **The government agrees and will expect the single guidance body to have a research and evaluation function.**

4.23 In addition, a significant proportion of respondents said that any new guidance body must justify its research outputs. Several respondents expressed concern that some of MAS' publications duplicated research available elsewhere or formalised general understanding about the causes of financial difficulty. Respondents also thought the proposed money guidance body should publish all research and use research to inform its commissioning process. **The government agrees and will expect the single guidance body to have a more focused research function and to publish all outputs.**

Devolved administrations

4.24 The government was pleased to receive a number of responses from organisations involved in the provision of financial guidance in the devolved administrations. These respondents urged the proposed money guidance body to consider different consumer needs in each administration and to tailor policy to devolved administrations' particular circumstances. For instance, respondents from Scotland noted that the proposed guidance body will need to collaborate with related organisations, including the Improvement Service and Scottish Legal Aid Board.

4.25 Respondents based in Scotland, Wales and Northern Ireland wanted the government to outline further detail on how the proposed money guidance body would work with the devolved nations. Some respondents asked for a greater presence from devolved administrations in the body's governance structure, including its board. **The government will continue to consult with the devolved administrations on how a SFGB can best meet the needs of consumers across the UK.**

4.26 On funding activities in the devolved administrations, some respondents encouraged the government to consider funding allocations carefully. One respondent noted that funding models should take into account recent changes to regulations surrounding the Bankruptcy and the Debt Arrangement Scheme in Scotland, which have prevented the provision of cheap, self-service telephone and internet-based advice. Respondents from Wales and Northern Ireland also noted that the relatively high proportions of problem debt in their populations should be reflected in the distribution of the levy. **As stated in Chapter 3, the SFGB will work with devolved administrations to ensure that, where possible, local priorities can be met.**

4.27 Some respondents also made the point that many of the MAS debt and money guidance outputs are offered in Welsh and that the government should ensure that Welsh-language materials will be preserved. **The government has noted these concerns and will ensure that the new guidance body continues to provide Welsh-language material.**

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 **13 February 2017**. 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 responses 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 or DWP.

5.7 HM Treasury and DWP 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 spring. The creation of the body is subject to the Cabinet Office approval process.

5.9 The government anticipates that the new body will be launched no earlier than Autumn 2018. In the meantime, MAS, TPAS and Pension Wise will continue to deliver their statutory functions.

A List of questions

- Q1. Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?
- Q2. Do you agree that these areas capture what the broad role of the SFGB should cover?
- Q3. Do you agree that the FGB's financial capability initiatives should focus on 'the squeezed' and 'struggling'?
- Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations of the guidance sector?
- Q5. How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?
- Q6. In what ways could the SFGB co-ordinate and add value to the provision of financial education?
- Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?
- Q8. How should the SFGB ensure that it engages consumers at the right time for them?
- Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?
- Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?
- Q11. Do you have any other comments about the proposed delivery model and consumer offer?

B List of Respondents

The government would like to thank the individuals and organisations who responded to the *Public Financial Guidance Review: Proposal for Consultation*. The organisations were:

- Advice UK
- Advice NI
- Age UK
- Association of British Credit Unions Ltd
- ABI
- Association of Mortgage Intermediaries
- Association of Professional Financial Advisers
- Aviva
- Brewin Dolphin
- British Bankers' Association
- British Insurance Brokers' Association
- Building Societies Association
- Chartered Institute of Credit Management
- Chartered Insurance Institute (and Personal Finance Society)
- Christians Against Poverty
- Citizens Advice
- Citizens Advice Northern Ireland
- Citizens Advice Scotland
- Comparethemarket.com
- Consumer Finance Association
- Council of Mortgage Lenders
- Debt Advice Foundation
- Debt Counsellors Charitable Trust
- Debt Resolution Forum
- DIAL Great Yarmouth
- Energy UK
- Equity Release Council
- Experian

- Finance and Leasing Association
- Financial Conduct Authority - Smaller Businesses Practitioner Panel
- Financial Services Consumer Panel
- Gregory Pennington Limited
- Ifs University College
- Improvement Service
- Insolvency Practitioners Association
- Institute and Faculty of Actuaries
- Institute of Money Advisers
- Ipswich Housing Group
- JRP Group plc.
- Lambeth Law Centre
- Legal and General
- The Low Incomes Tax Reform Group
- LV=
- Pensions and Lifetime Savings Association
- Pensions Ombudsman Service
- The Pensions Portal
- Prudential, UK and Europe.
- money.co.uk
- Money Advice Service
- Money Advice Scotland
- Money and Mental Health Policy Institute
- The Money Charity
- The National Advice Network Wales
- National Pawnbrokers Association
- Nationwide
- OECD
- Open University - True Potential Centre for the Public Understanding of Finance
- Older People's Commissioner for Wales
- Royal London
- The Scottish Legal Aid Board

- Shelter
- The Society of Pension Professionals
- StepChange
- The Royal Bank of Scotland
- Talking Money
- Tempo Pensions
- Toynbee Hall
- Trade Union Congress
- Trading Standards Scotland
- University of Bristol – Personal Finance Research Centre
- R3 – Association of Business Recovery Professionals
- Wales Co-Operative Centre
- Water UK
- Welsh Government
- Welsh Local Government Association
- Which?
- Young Adults Steering Group
- Young Enterprise

HM Treasury contacts

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