



**tisa**

Leading on Investments and Savings

**TISA RESPONSE TO PUBLIC FINANCIAL GUIDANCE REVIEW:  
CONSULTATION ON A SINGLE BODY**

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## 1. About TISA

TISA is a unique, consumer focused membership organisation. Our aim is to improve the financial wellbeing of UK consumers by aligning the interests of people, the financial services industry and the UK economy. We achieve this by delivering innovative, evidence based proposals to government, policy makers and regulators.

TISA's growing membership comprises over 160 firms involved in the supply and distribution of savings and investment products and services. These members represent all sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, FinTech, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

- Current themes of TISA policy work include:
- Brexit: developing proposals for government that will enable the savings and investments sector to prosper on a global scale
- Digitalisation: a digital identity for consumers of financial services, innovation, standards and data responsibilities
- ISA's: LISA, simplification of the regime
- Retirement saving: the Auto-enrolment review, self-employed and pension tax relief
- Housing: the use of equity in the home to supplement retirement income
- Guidance: developing a framework and services to make guidance more widely available
- Education: supporting the education of young people to make them aware of the impact of finance on their life

TISA also provides support on a range of operational and technical issues targeted at improving infrastructure and processes, standards of good practice and the interpretation and implementation of new rules and regulations. TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve industry effectiveness by reducing cost and risk and to enhance customer outcomes. This work currently includes: MiFID II, CASS, the UK Fund Settlement initiative and Payments Strategy Forum. TISA Exchange (TeX) is providing a model for transfers and re-registrations.

## 2. Executive Summary

The chronic level of under-saving in the UK is now recognised as one of the defining social problems of our age. This impacts household financial wellbeing and resilience and the wider economy due to diminished investment in assets that drive growth, jobs and living standards.

- One third of UK households have no savings at all, and 66% have £1,500 or less
- 40% of adults are not in control of their finances leading to high levels of debt, low levels of saving and financial insecurity through their working life and retirement
- Auto-enrolment (“AE”) has been a success in increasing the number of people saving for retirement but 6 million employees are not taking up AE and 4.5 million self-employed are not covered by the scheme – representing one third of the private sector workforce
- For those currently in a pension, the vast majority are saving too little and our research shows future retirement incomes being between only 25% and 50% of today’s non-State pensioner incomes

A combination of cost and a lack of understanding of the value of financial advice, has resulted in less than one in five consumers being prepared to pay for such services. It is therefore crucial that the mass market have access to financial guidance and indeed it is one of the factors which led to the establishment of the Money Advice Service (“MAS”), The Pensions Advisory Service (“TPAS”) and more recently, PensionWise.

These services have played an important role in supporting the financial capability of consumers as a means of encouraging higher levels of saving, both for retirement and to provide resilience against emergencies and adversities. However, these services could be made more effective in meeting their objectives. TISA agrees with HMT and DWP that consolidating the MAS, TPAS and PensionWise into a Single Financial Guidance Body (“SFGB”) presents an opportunity to provide a step change in the way that public guidance services enhance consumer engagement. This new body should:

- Establish robust governance over the provision of a public guidance service and ensure efficient deployment of resources
- Optimise consumer engagement and outcomes for enhanced financial wellbeing
- Co-ordinate and integrate guidance services with other strategic initiatives including Auto-enrolment, Pensions Dashboard, Portable Fact Finds and Digital ID
- Work closely with the private sector to ensure consistent consumer experience so that guidance services received through the SFGB or private sector use similar terminology, rules of thumb and result in broadly similar generic outcomes
- Work with the private sector to enable consumers to action financial management intentions identified as part of the SFGB service, such as taking out a new savings product
- Restore the reputation of savings as a cornerstone of household financial wellbeing

TISA and its members believe the SFGB must have clarity about scope on both the target audience and services to be provided, objectives and accountabilities and deliver real and measurable progress regarding the financial health of individuals and families. The new body must operate transparently in pursuit of specified goals, so that progress can be monitored and evaluated. The target audience needs to be defined carefully, and a governance structure must be established to ensure that the body is both supported properly, and its officers held adequately to account by a single department of Government, which we believe should be HMT, given the scope of financial matters the service will cover. TISA proposes that officers of the new body should be tasked with six over-arching objectives:

- To increase consumer engagement with their financial affairs
- To increase financial capability and education
- To increase resilience to financial shocks
- To increase savings and provision for retirement
- To help protect consumers from scams and fraud
- To aid those in debt

For the SFGB to have the best possible chance of success in meeting these objectives, there are various issues of design that will need to be addressed. Foremost is the need to provide clarity about its offering. At present there is little public understanding about the difference between advice and guidance and the target audience for the new service will need to be very clear about what services they are being offered by the SFGB.

TISA believes that to deliver a step change improvement, the success of the SFGB should be judged on the extent to which people took action as a result of the guidance they received. This means that there must be mechanisms for introducing people receiving guidance to the places that can provide them with the products and services they need.

The SFGB service must be designed to draw consumers to it effectively, whilst finding an appropriate balance of pushing material out to the public to encourage greater financial engagement plus explore ways to build upon Auto-enrolment and the opportunities for engaging consumers in the workplace.

Finally, TISA cannot stress enough that the problem of under-saving cannot be solved by the new body alone. Previous initiatives to engage the public have sometimes started with the perspective that their existence was a response to market failure and adopted an approach that sought to create distance from private services. This distancing has contributed to sub-optimal delivery, and under-achievement. Consumers will expect a consistent approach to guidance whether they receive it from a public body or a private service. They will expect, for a given set of circumstances, to receive the same guidance whatever source provides it. This consistency is crucial to building consumer confidence in the process of saving for the future. Furthermore, the likely resources of a new public body are unlikely to compare with the reach, experience and research of the private sector. On that basis, it should be a priority to work hand in hand with the industry in pursuit of the commonly held ambition to increase the level of financial resilience and wellbeing in the UK.

### 3. Recommendations

TISA and its members propose the following recommendations for the success of a new Single Financial Guidance Body:

#### **Discovery phase: The planning and establishment of the SFGB**

1. The body should be governed by publicly appointed directors, accountable to HMT, and include individuals drawn from the industry based on their extensive experience and deep understanding of consumer engagement in financial services
2. The scope of services needs to be clearly defined as well as the customer journeys that consumers will experience in navigating the range of guidance services offered
3. The body should operate to a published plan, including measurable objectives that determine its success
4. The body should consider its target audience to be all UK consumers, including increasing the capability of the public to avoid hardship as well as building financial resilience and wellbeing
5. The SFGB's objectives should be based on demonstrable progress towards a more resilient society, namely actions taken by consumers rather than just providing services to consumers. This will mean developing introductory links to providers of savings and protection products plus mechanism to measure and enhance the consumer's ability to action received guidance
6. The body should create forums that will enable close co-operation with the financial services industry and other stakeholders, recognising that the objective of increasing savings and promoting a more financially resilient society will be best achieved through a co-ordinated effort

#### **Design phase: The development of the SFGB service**

1. The SFGB should design an integrated service that can be accessed through multiple channels including face to face, call centre and online
2. Where appropriate, the service should look to outsource aspects of its service to organisations that provide the pre-requisite skills and expertise, whilst ensuring that delivery to consumers remains seamless across the wider guidance offering
3. The body should operate in close partnership with the industry – recognising that its reach, experience and resources will be crucial to the delivery of SFGB objectives.
4. The focus of the service should be to support the needs of UK society as a whole rather than prioritising various segments. This focus should be driven by an understanding that the aim should be to prevent financial hardship from occurring through appropriate protection and the long term promotion of savings to build financial resilience
5. The specific needs of the elderly should be built into the design of services

6. The SFGB service should include holistic guidance on protection, the role of equity in homes and social care planning as key elements of building financial resilience
7. The SFGB should co-ordinate and integrate its services with other key industry initiatives such as the ongoing work of the Financial Advice Market Review, Auto-enrolment, Pensions Dashboard, Portable Fact Find, Digital ID, etc.

#### **Delivery Phase: The operation of the SFGB**

1. The SFGB must work to ensure that there is consistency in the delivery of guidance given across the public and private sectors, for instance similar terminology, rules of thumb (i.e. financial equivalent of “5 a day”) and generic outcomes
2. The SFGB should establish where individuals may be better served by regulated financial advice, and a mechanism for referral
3. A forum for the specific purpose of sharing research and analysis between private and public sectors and relationships should be fostered with a broad range of stakeholders to leverage their resources and expertise on a cost-effective basis
4. The SFGB must ensure that its service is both consistent and fully integrated across delivery channels to provide the seamless customer experience they expect in the modern digital world
5. The design of services should encourage consumers to engage with the SFGB via cost-effective ‘pull’ guidance with some degree of broadcast, ‘push’ approach to encourage greater consumer engagement with their personal finances
6. The opportunity presented by a default long-term savings mechanism in the workplace should be grasped with an approach that aligns with the Auto-enrolment initiative

## 4. Answers to 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?**

It is very important for the SFGB to begin with a clear definition of its target audience. There are a wide range of minorities covered under the Equalities Act 2010, but there are also other groups who might be considered to have particular financial challenges (those leaving the Armed Forces, or those entering the benefits system, for example). It is not necessarily the case that membership of a minority with protected characteristics implies vulnerability from a financial perspective, even though financial propensities can sometimes be detected within social groups. Indeed, to assume financial vulnerability merely by virtue of membership of a protected group fails to recognise individuality and implies a prejudice.

That said, the design of services will in some cases need to recognise some broad truths. Specifically in the case of the elderly, there are some extremely important financial decisions to be taken at a time when many people will feel less able or confident. In this case people are likely to want to talk to someone, rather than relying on on-line capabilities, and those telephone or face to face services will need careful design based on an understanding of the needs of that consumer segment.

It is both circumstances and behaviours that lead people into financial vulnerability. That vulnerability is best understood through its characteristics, both in general terms and in each individual case. The process of providing guidance requires an understanding of each individual's position, whilst the targeting of the service must be based on a clear understanding of the various pathways that can lead to financial vulnerability. Those in very poor circumstances for example, or just about managing may be under acute stress and subject to information overload, but that will not necessarily be the case for every individual in that situation.

More broadly though, any discussion of minorities should not reduce the focus on the core problem, which is that across UK society as a whole there is insufficient long term saving. The SFGB should not be a service for vulnerable minorities, but a body that exists to serve everyone, whilst still recognising in its processes, individual needs and the journeys people may take into and out of challenging financial positions. The service should seek to assist those finding themselves in positions of vulnerability, whilst keeping prevention as its prime focus, through improved public financial capability and education.

Whilst we advocate that the service be designed to meet the broadest spectrum of society, we anticipate that low and middle income households will constitute the bulk of consumers using the service.

#### **Recommendations:**

- Ensure that the focus of the service remains on serving the needs of UK society as a whole
- Recognise the pathways to vulnerability, and the individuality of circumstances, rather than segmenting the service into multiple variations for designated vulnerable groups
- Treat the needs of elderly as a specific design consideration

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

The areas outlined in the Consultation Paper are broadly correct as a focus for activity but they do not constitute objectives. There should be no ambiguity as to what the SFGB is setting out to achieve and that its success should be monitored against measurable objectives and consumer actions as opposed to merely numbers of consumers receiving guidance.

The Consultation Paper outlines various areas of activity for the SFGB, but it is unclear how those services will be delivered, whether directly or indirectly, and whether by specific intervention or by increasing consumer capability. In the case of protecting consumers against scams, for example, a direct intervention would cut across the FCA enforcement mandate. We believe instead that the SFGB should focus on empowering consumers so they are less likely to fall prey to such schemes. (Please also see TISA's response to the consultation on pension scams)

TISA believes that protection products should also be covered by the SFGB service, both for the security they provide in their own right and for the connection they have with the savings agenda. When people protect themselves adequately against life's adversities they are more able to maintain a savings habit. Hence protection products form part of a virtuous circle of prudent behaviour in personal finances.

Social Care should also be considered within the SFGB remit, as a natural element of retirement planning. The Social Care system is difficult to navigate and its implications for financial decision-making need to be better understood if we are to build a more resilient society across all life stages.

TISA also stresses the importance of including equity within the home as part of consumer's financial planning. This is not typically included within current guidance propositions, yet is often the consumer's biggest asset and will be used by many households to enhance retirement income where they have under-saved in pensions and other savings.

**Recommendations:**

- There must be clear objectives for the SFGB based on measurable outcomes that demonstrate progress towards increased saving and financial resilience
- Protection products and Social Care provision should be included within the SFGB's remit and objectives as key elements of financial resilience
- Equity in the home should be considered within guidance to enable consumers to plan their financial affairs encompassing all their significant assets

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

Further to our answer to Question 1, TISA believes that there is a general need to increase the level of saving and financial resilience across the UK population. On that basis, the SFGB service should not focus simply on specific target segments, particularly when those segments are difficult to define and subject to changing circumstances.

TISA strongly believes that the focus of the SFGB should be more about prevention than acute need. Guidance is required on a long-term basis, helping people to avoid financial adversity, assisting them in difficult circumstances and maintaining its support to ensure that a return to well-being is not temporary. Unless the SFGB addresses the under-saving of the population as a whole, it will not prevent the creation of further generations of vulnerable people.

In broad terms, we have seen a generational shift away from thrift towards more immediate gratification. This is a trend which cuts across more specific social segmentation. Whilst it is beyond the scope of this response to explore the causes for this situation, the SFGB should see it as its core mission to provide a counterbalance to this modern reality in favour of a more prudent and financially resilient society.

#### **Recommendations:**

- The SFGB should not focus on specific priority groups, but instead provide life-long support to improve resilience across UK society
- The SFGB should recognise in the design of its service that the cultural dominance of immediate gratification works against savings and household financial resilience

#### **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?**

TISA's members believe that it is critical for the SFGB to engage with the financial services industry and the third sector to address the challenge of under-saving in the UK. A co-operative approach will help ensure the best use of the wealth of resources and capabilities that already exist.

The SFGB should also work with the industry to ensure that there is consistency in guidance that is given. If the SFGB service and the private sector are to be trusted by the public, it needs to be clear that whoever provides the service, the same generic financial circumstances will receive the same guidance. We propose the public and private sectors adopt similar terminology, rules of thumb and generic outcomes.

The financial services industry is well-positioned to provide the regulated financial advice that will be beyond the scope of the SFGB. It will not be needed by everyone who approaches the body for guidance, but some will reach a point in the guidance process when they will be ready to take advantage of a more individualised advisory service. TISA believes that the SFGB should work with the industry to define a point in its process where consumers should be referred for regulated financial advice, and the mechanism for doing so.

TISA also believes very strongly that the SFGB service must not stop with the provision of guidance. That is to say, that it cannot be judged merely on numbers of people that use its services. Unless it can be established that the service actually results in individuals doing something that increases their financial resilience, it cannot necessarily be considered a success. This means that the service must find mechanisms of directing people to providers of financial products, so that action can be taken, based on the guidance that has been given. The SFGB and private sector should also look to develop evaluation tools to measure the

extent of consumer action resulting from introduction by the SFGB and seek to assess and implement ongoing enhancement of this facility. Working with the private sector is likely to include banking, protection, savings and investments providers.

We understand the potential conflicts this creates for SFGB, but believe an appropriate solution can be designed that remains in the consumers' interests. A potential bridge could be for guidance services to signpost consumers to lists of products that have been awarded some external quality mark or kite mark such as the Retirement Quality Mark, the FairLife mark or the Mastertrust Assurance Framework. We note that TPR guidance for employers already signposts recipients to the Mastertrust Assurance List.

#### **Recommendations:**

- The SFGB should engage with the industry to make the best use of resources and expertise
- The SFGB must work to ensure that there is consistency in the guidance given across the public and private sectors
- The SFGB should establish a point whereby individuals may be better served by regulated financial advice, and a mechanism for referral
- The service should not be considered to end with provision of guidance, but judged on the extent to which people take appropriate action.
- Mechanisms should be developed that enables consumers receiving SFGB guidance to be introduced to private sector services that ultimately result in the ability to action their desired financial transaction
- Mechanisms should be developed that measure the extent to which consumers action the guidance received, especially with the private sector, plus introduce ongoing evaluation and enhancement of the consumer's ability to action the guidance received

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

Critical to the success of the SFGB will be to act on the basis of a thorough understanding of consumer attitudes and behaviour. Building this picture through research and analysis is an expensive business, but there is already a wealth of information in the private sector that may be drawn upon through collaboration with the industry.

TISA believes there should be a mechanism for sharing private and public information, seeking to draw from it a consensus view of effective solutions, and agreeing priorities for further research. For example, there will need to be a better understanding of what the public understands about the difference between 'advice' and 'guidance' in order to design an effective service. Such a mechanism has already been established by MAS in respect of sharing information and best practice in education; this process could be repeated in respect of the provision of financial guidance.

Working through such a forum, the public and private sectors could sponsor or draw upon existing research and analysis from universities and other institutions to develop a holistic view of consumer behavior in the most cost-effective manner. This might, for example include

work that exists within the Auto-enrolment initiative, the FCA's work on portable fact finds and on FAMR, the Pensions Dashboard project, as well as the multitude of online tools and material available from product providers.

**Recommendations:**

- Establish a forum for the specific purpose of sharing research and analysis between private and public sectors
- Foster relationships with a broad range of stakeholders to leverage their resources and expertise on a cost-effective basis

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

TISA supports the ongoing work of MAS with regards to the Financial Capability Strategy and to be continued within the SFGB. The work accomplished on the Evidence Hub and What Works initiative are both examples of a Government body working with the wider financial services communities and the third sector to ensure adequate evaluation of education programmes and sharing of what is effective. This was already conceived of as continuing to be a role of the reformed MAS, but we think it is sensible to include this within the scope of the SFGB.

Similar to the role undertaken by MAS today, the role of the SFGB should include:

- Setting and implementing the Financial Capability Strategy
- Undertaking consumer research to understand the areas of financial capability need
- Undertake surveys to monitor progress in consumer's engagement of personal finance and tangible enhancement of financial resilience
- Capture and communicate the wider set of education initiatives being undertaken by the private and third sectors
- Continue to fund and support the What Works initiative
- Develop financial rules of thumb that can be adopted both in education programmes and financial guidance (i.e. financial equivalents of "5 a day")

**Recommendations:**

- In recognition of the scale of this challenge, the SFGB must recruit officers at all levels who have a deep understanding and hands-on experience of educational initiatives and consumer engagement in the financial services industry

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

The SFGB should base decisions about appropriate channels on the consolidated research and experience of the public and private sectors. It should recognise that in a rapidly changing world there will need to be a flexible approach to delivery. For some consumer segments the most effective approach might be written booklets, whilst for others only an approach through social media is likely to have significant impact.

It should be recognised that consumers may wish to engage with financial guidance and education through multiple delivery mechanisms depending on their location and activity at the time. They may want to gather information in one place by one mechanism, make contact elsewhere in another manner, and then then take action in an entirely different way. Deployment across delivery channels in both the public and private sectors therefore needs to be coordinated and consistent, with cross referencing/linking between printed and online offerings, robo-advice, game apps and other emerging channels.

We propose that the SFGB consult with industry to assess what role the SFGB should have in providing guidance services in the workplace.

**Recommendations:**

- Ensure that the SFGB service is both consistent and fully integrated across delivery channels to provide the seamless customer experience they expect in the modern digital world
- Consult with financial services regarding the role SFGB should play in providing guidance within the workplace

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

The success of the SFGB will depend not on how it sets out to engage consumers, but on the extent to which the public is motivated to engage with it. With the exception of financial education in schools, TISA does not believe that in the digital age financial capability can be delivered primarily on a ‘push’ basis.

Instead, it will be the consumer who makes the decision about how and when to engage with the SFGB’s services. The challenge for the SFGB is to design an offering that is sufficiently compelling to ‘pull’ consumers to it. However, the delivery priority must be to get consumers to engage before they fall on hard times, so that resources are focused more on prevention than emergency support.

Design and delivery decisions will need to be considered carefully on the basis of all available experience and research. Officers of the SFGB will be entrusted with a budget that needs to be deployed prudently, according to a published plan for which they should be held publicly accountable.

In making best use of resources, it should be clear that it is very difficult for accountable officers to demonstrate tangible results and value for money out of large-scale ‘push’ services and promotion. Instead, the SFGB needs to find mechanisms for optimising its expenditure. An example of this might be engagement through the workplace, alongside Auto-enrolment activities, so that financial guidance can be brought into alignment and proximity with the

UK's primary default savings mechanism. Indeed, it is hard to overstate the importance of the Auto-enrolment opportunity as a delivery channel for the new guidance body.

**Recommendations:**

- The design of services should encourage consumers to engage with the SFGB via cost-effective 'pull' guidance
- The opportunity presented by a default long-term savings mechanism in the workplace should be grasped with an approach that aligns with the Auto-enrolment initiative

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

TISA believes that funding should be directed in accordance with a published operating plan and governed by publicly appointed and accountable officers. In a changing world, all institutions need to be agile, but decisions still need to be taken within agreed parameters. Most importantly, the SFGB must keep in mind that it has been given a budget based on an industry levy and will need to allocate it in a way that provides demonstrable value for money in the pursuit of its published objectives.

TISA propose that the SFGB be given the flexibility to outsource some of the proposed services to providers with the pre-requisite skills and expertise. This is an arrangement already used by MAS for the delivery of debt support services and provides a template for the consideration of other services.

**Recommendations:**

- Ensure that the basis of financial accountability and discretion is clearly established at the outset
- Provide flexibility to outsource services where appropriate

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

We have no comments to make on this point.

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

We would reiterate our core concerns that the SFGB is established under rigorous and transparent governance, and that it recognises the crucial role that co-operation with the private sector will have in the delivery of its objectives.