



Press Release

For immediate release

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Financial guidance needs fixing now

The unexpected and severe economic downturn in recent months has caused a ripple of fear and uncertainty across the world. Seeing cash being wiped from your hard-earned savings and investments can be scary, leading to many savers making rash and poor decisions.

However, this issue is nothing new. Around 92% of UK adults never receive financial advice. Collectively, HMT, DWP, FCA, MaPS and the financial services industry must take responsibility and action in tackling the significant financial detriment affecting millions of people every year.

According to the FCA's Baseline Reports, only around 4 million people receive financial advice per year, with just half of these on a regular basis. TISA believes that the actual number of people receiving advice over a long period is a little higher. But we believe this still leaves over 45 million adults who turn to other sources to help them understand their financial position and to help make informed decisions.

Recently, TISA undertook research, with support from leading financial services firms, to review the most common consumer financial situations. We found seven situations that large numbers of consumers are likely to experience. From these situations, we identified that 30 million people will be impacted with projected detriment of over £30 billion over a ten-year period. Sadly, the full extent of typical detriment across the population will be far greater – but this can be mitigated.

Delivery of a guidance solution for this unserved group faces several challenges which are collectively delaying support for the people who most need help. TISA has been working with member firms to proactively find solutions and raise this to the attention of the FCA, HMT, DWP and MaPS.

Whilst the most ideal situation would be for everyone to receive advice, a solution to deliver this at low cost and with the ability to deal with customer complexity has yet to be found. Rather than wait for the silver bullet we should turn to the next option: financial guidance.

The key issue is the ambiguity of the rules around what financial guidance is versus advice. The definitions are interpreted according to the context of the customer journey and therefore challenging to set



principles for what guidance is in comparison to advice. TISA asked five leading firms' to opine on a set of 20 examples of customer support to ask if they represented guidance or advice. We received very different answers because of the ambiguity of the rules. Clearly we need an enforced, unified approach to ensure clarity and consistency.

We often bump up against the issue of trust in the industry. It is argued that financial services could use guidance as a mechanism to flog inappropriate products. Whilst we recognise that the industry has not always covered itself in glory, there are ways of tackling this with appropriate use of regulation, qualifications and accreditations. Furthermore, by limiting who can offer guidance services to regulated financial services firms and MaPS, appropriate controls can be put in place. This is a better solution than just leaving 45 million people to continue suffering financial detriment.

We are also calling for, and actively seeking to facilitate, a closer collaboration between MaPS and financial services to collectively develop and deliver guidance services for all consumers. Ideally this would cover those who need help with basic money and investments management, understanding information provided by Pensions Dashboards and Open Finance propositions and having the confidence to take basic action, plus providing support in knowing if their Auto Enrolment contributions will deliver their expected outcomes.

With financial services being the first port of call for most consumer queries, it seems logical that we should give those at the coal face the tools to do more to help their customers.

We need to help protect the financial wellbeing of UK households and bolster their financial resilience. Guidance has a critical role to play in helping the 92% not receiving advice. TISA is advocating changes that will enhance the lives of millions of people and urges government and regulators to deliver a better outcome for consumers.

https://citywire.co.uk/new-model-adviser/news/pimfa-is-wrong-providers-need-more-freedom-to-give-guidance-not-less/a1340733?section=new-model-adviser&_ga=2.121561864.140878554.1585817788-534082213.1585817788