Response to FCA's Guidance Consultation GC 17/4: FAMR Implementation part 1

Section 4: Non-advised services

May 2017

About TISA

TISA is a not-for-profit membership association operating within the financial services industry. The focus of our recommendations and actions is improved outcomes for consumers and the nation with this approach leading to a stronger UK financial services industry.

TISA's growing membership comprises over 170 firms involved in the supply and distribution of savings and investment products and services. These members represent many different sectors of the financial services industry, including asset managers, insurance companies, fund managers, distributors, building societies, investment managers, third party administrators, consultants and advisers, software providers, financial advisers, pension providers, banks and stockbrokers.

TISA has a successful track record in working cooperatively with government, regulators, HMT, DWP and HMRC to improve the performance of the industry and the outcomes for the public. Effective policy and regulation and the creation of efficient industry infrastructure continues to be the major focus for our members. TISA is unique in that it represents the entire financial services industry, incorporating cross-sector policy, industry and technical expertise. Whilst we maintain a solid partnership with government, the regulators and wider industry, we remain independent and develop neutral views and opinions. This impartiality is reflected in our ability to drive development projects which improve industry performance and consumer outcomes, putting us in the unique position of being able to constantly challenge the status quo to bring about material improvement.

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1 Executive summary

TISA has been a strong supporter of the Financial Advice Market Review (FAMR) from the outset. We believe that access to effective guidance and advice is a fundamental requirement for a financially resilient society. We need to create a sea change in the levels of saving, right across society, creating financial wellbeing amongst consumers and with it, the benefits to the UK economy. Equally, we need to avoid the detrimental social impact that we face today.

TISA's views have been set out in our response to the FCA and HMT on the FAMR review in December 2015, plus in November 2016 to the consultation on the definition of advice. Those responses are supported by research and the recommendations are evidence based. We have also made recommendations in our response to the consultation in February on a single financial guidance body. This has been done in consultation with our membership and our responses provide a strategic view of how private and public provision of guidance services can collectively best support the millions of UK consumers that will benefit from these services.

We see a problem that needs to be fixed with bold reform. The recommendations we have made to date are proposals that we believe will deliver the step change that is essential to build financial well-being in our society and address the unsustainably low levels of saving and investing in the UK.

On that basis, we were supportive of the Objectives and Outputs proposed in the FAMR Terms of Reference (updated in April 2017) and it is against these objectives and outputs that we are assessing the effectiveness of proposals put forward in the Guidance Consultation.

We are pleased that the FCA is addressing FAMR Recommendation 3 by consulting on new proposals to support firms offering guidance services that help consumers make their own investment decisions without a personal recommendation. However, the FAMR Objectives and Outputs have not been met by the proposals put forward in the Guidance Consultation. Whilst the intention of the review was to cover the entire spectrum of needs across social segments and circumstances, we find that relatively little attention has been given to making non-advised services a practical proposition that will help consumer make informed decisions.

The FAMR review has therefore failed to develop proposals for the millions of consumers who are unwilling or unable to pay for advice and for whom a meaningful guidance service is their primary support to help them make informed financial decisions. Based on the numbers provided in this Guidance Consultation (and sourced from MAS), as well as statutory reports from MAS and TPAS, we can deduce that 21.6 million people are not receiving the financial guidance they may need. Indeed, we believe this number to be significantly understated.

Whilst the FCA is right to guard against poor outcomes for customers in their dealings with the financial services industry, this focus has the potential effect of causing a much wider detriment to the British public by limiting the availability of meaningful guidance services. Mitigating the potential risks presented by the industry to the few should not perpetuate the financial risks of life's challenges for the many. Indeed, without financial advice and guidance consumers are less inclined to save sufficiently to meet their needs and are more likely to make decisions that provide them with sub-optimal if not detrimental outcomes with regards the objectives they are seeking to achieve.

We would summarise our reasons for a significant revision of the proposed guidance as follows:

1. The proposals rely on an expectation that providing clarity on the difference between financial guidance and financial advice, will allow firms to design and implement financial guidance services. Rather than providing 'new' guidance, as set out in Recommendation 3 of the FAMR report, GC17/4 merely confirms and expands existing guidance. It does not provide an interpretation of regulations that will allow services that provide meaningful and effective guidance. Nor does the interpretation, based largely on the provision of neutral information, come close to what the Financial Advice Working Group ("FAWG") found to be consumers' expectations of a guidance service (the provision of 'advice', 'help' and 'right direction'). In short, the clarity that the FCA has provided appears to be that useful guidance cannot be given, and for that reason it does not meet its objective of stimulating the demand side for such a service.
2. The proposals are not supported by evidence that it will achieve its intended purpose. There is no analysis of the numbers of people who are likely to benefit, nor the extent of that benefit. As such, the review has not demonstrated that the objectives of FAMR set out in its Terms of Reference have been satisfied, nor that the outputs have been delivered.
3. The context in which the review proposals are made, focuses mainly on advised services addressing the needs of a minority of the population, (15.2 million 'affluent' people, according to the FAWG), who are often amongst the financially most fortunate. Non-advised services occupy only a small portion of the review's output, and yet they are the service arguably needed by a much larger segment of the population. A major shift in public financial well-being relies on access to free guidance for 22 million people who have ordinary or limited means - a challenge which is beyond the capability and resources of a public sector service currently engaging only 2% of that number by phone or webchat annually.
4. The proposals do not provide for a financial guidance mechanism whereby customers can be specifically warned when they may face a risk of potential detriment. We believe there should be a standardised 'kite-marked' process to allow this to occur as set out in our earlier responses.

TISA believes that the broad needs of society are best understood by considering three broad channels of support. In this model, the first channel is financial advice, a well-established professional service for those with the means to pay for it, and the assets to make it worthwhile. The second is free guidance provided by the public sector (though usually and confusingly called 'advice'). This service only has the bandwidth to reach a limited proportion of the population, and provides no facility to act or monitor any action that might be taken to prove the effectiveness of the service. In between these established services, there are the needs of the majority of UK society – people looking for free help, and a means to act on it. This is the area of greatest need and potential social benefit, which the review has not addressed. The lack of a practical regulatory framework, means that the output from the FAWG on definitions, rules of thumb, and employer support, will fail to find broad application.

What we find specifically in the review proposals is an emphasis on the provision of a balance of information on any point of need, and the requirement to avoid any steer towards a particular course of action. For that to be the case, there must be provision for financial guidance that is more directional. Guidance must be more than just the provision of information, it needs to lead consumers towards taking action. (Detailed examples are provided in Appendix B).

We are supportive of the public provision of financial guidance, and plans for a single financial guidance body, but it is our strong belief that guidance cannot be provided by a public service alone. If the bulk of the population is to have access to non-advised support, a public service will need to work very closely with the private sector, whose bandwidth, resources, and customer data allows it a reach that is far beyond what a public service could hope to achieve on any reasonable allocation of resources.

It is our contention that unless the industry is empowered to take a properly constituted guidance framework to the public (as opposed to the generic guidance and information proposed in the Guidance Consultation), there will be no progress on this issue. We recognise that there may be serious concerns that firms would abuse such empowerment by using it as a tool to sell unnecessary or inappropriate products. However, we believe it is entirely possible for measures to be taken that would address regulatory concerns about the possible future conduct of the industry. Indeed, we put forward in this response, some mechanisms for doing so that we consider worthy of exploration.

In the following pages, we have set out in more detail the reasons why we do not consider the proposals to be sufficient. We urge the FCA to consider our position and the solutions we have proposed in the course of this review. Furthermore, we strongly encourage the FCA to further engage with the industry to discuss potential solutions. TISA would be pleased to engage with the FCA in further discussion on this topic to help ensure widespread availability of meaningful and effective financial guidance.

2. FAMR objectives and outputs

In the FAMR Terms of Reference (updated April 2017) the FCA established, in its five objectives, that it would examine:

1. the advice gap for those people who want to work hard, do the right thing and get on in life but **do not have significant wealth**;
2. the regulatory or other barriers firms may face in giving advice and how to overcome them;
3. how to give firms the regulatory clarity and **create the right environment for them to innovate** and grow;
4. the opportunities and challenges presented by new and emerging technologies to provide cost effective, efficient and user friendly advice services; and
5. how to **encourage a healthy demand side** for financial advice, including addressing barriers which put consumers off seeking advice.

Of critical importance is interpretation of the word "advice" which was understood to extend to financial guidance as well as advice that constituted a personal recommendation.

Whilst it might be said that the FCA has indeed *examined* these objectives, the evidence to date as to the extent to which they have been addressed with effective solutions is far less compelling. Indeed, to the extent that these objectives relate to the provision of non-advised help for the majority of UK consumers, we do not consider that the proposals meet the objectives:

- The review has not provided evidence to show that people who do not have significant wealth (the majority of the population) will be supported in a meaningful way in the event that they are not prepared to pay for advice (Objective 1).
- The review has not provided evidence to show that its interpretation of activities that do not constitute a 'personal recommendation' will allow meaningful help to be delivered (Objectives 1 and 2).
- The review has not demonstrated how firms will be able to innovate and grow on the basis of a definition of financial guidance that is unduly restrictive and does little to help customers over and above the current position (Objective 3).
- The review has not provided evidence that its proposals on the provision of financial guidance will do anything to encourage an increased demand side for non-advised services (Objective 5).

The FAMR Terms of References also set out a number of Outputs for the review. The very first of those is most worthy of note, in respect of non-advised services:

- a package of reforms to: empower and equip **all UK consumers** to make effective decisions about their finances

It is our contention that the review has not provided evidence that its guidance on non-advised services achieves this. Indeed, the proposals only facilitate the provision of highly generic information that arguably has little value in helping consumers make informed financial decisions.

A further stated output of FAMR was:

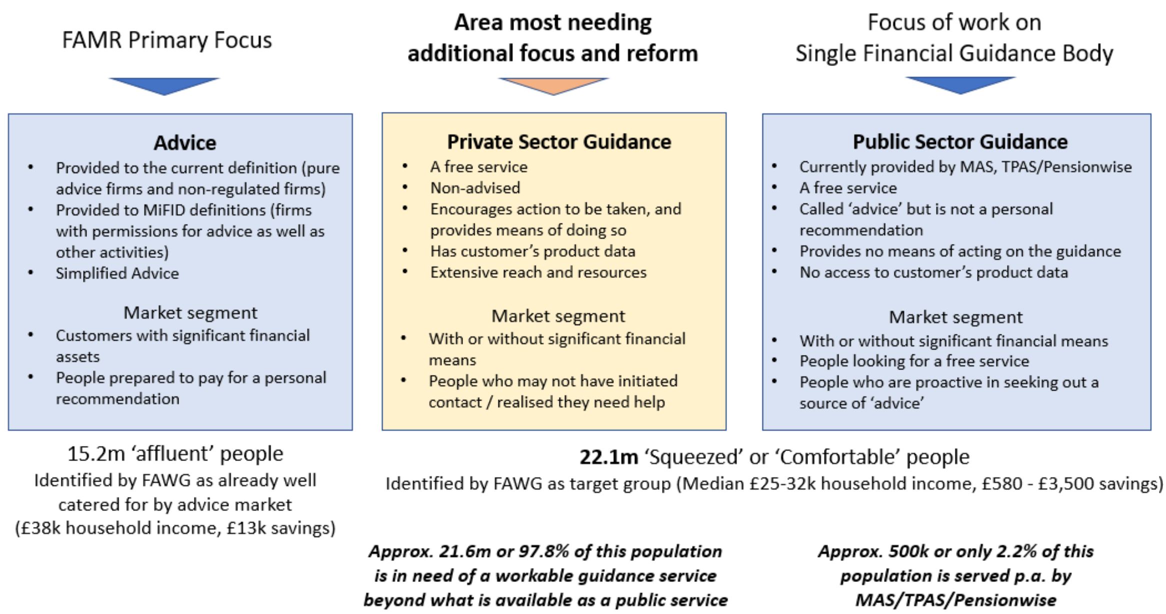
- a consideration of the proportionality of rules and their impact on affordability and availability of financial advice and products

We have not found in FAMR's consideration of non-advised services any discussion of its proportionality. The scope of the proposals is simply to interpret the rules in a strict manner, with no qualification of what that interpretation would mean for the objectives and outputs of the review. Furthermore, the proposal is a restatement of past guidance rather than the '**new'** guidance proposed in Recommendation 3 of the FAMR Final Report.

3. Guidance on non-advised services

It is our view that the FCA's proposals underestimates the nature of what is required from this review if we are to achieve a significant improvement to public financial well-being.

We believe that the provision of assistance to the public falls into three categories, as outlined in the diagram below:



The focus of the FCA's guidance in this consultation, is to provide clarity as to what is advice and what is not, and where financial guidance crosses a boundary into a 'personal recommendation'. Whilst we would accept that in adopting MiFID definitions, we are taking 'personal recommendation,' as the meaning of advice, we do believe that there is scope for the FCA to interpret that term in a more liberal fashion.

Instead, the FCA has chosen instead to adopt a strict and conservative interpretation, without apparent regard to the impact that has on the FAMR objectives and outputs, including Recommendation 3 of the FAMR Final Report.

The impact of this decision can be seen in the diagram above. It is worth noting from the diagram that nearly 60% of the target market, 22 million people, are not currently catered for by public and private sector assistance in making financial decisions. It should not be imagined that public provision could fill that gap; In 2015/16 The Money Advice Service gave phone or webchat support to some 300,000 people, based on an income of £82 million plus The Pensions Advice Service and PensionWise served a further 250,000 people. On that basis, to support the numbers of people currently unserved through the public financial guidance body could require an annual cost of hundreds of millions of pounds.

In fact, we believe the position is significantly worse than suggested by the FAWG's numbers (as sourced from MAS). In our experience, some 15% of the adult population (or 7.5m people) receive financial advice. To suggest that, in fact 15.2m people might pay for financial advice (and are therefore outside of the scope for financial guidance) is not supported by evidence. The median household income in this 'affluent' bracket is £38k and median savings are £13k. To suggest that people in the heart of the basic rate tax bracket, and with much less than the annual ISA allowance as savings would pay for financial advice in significant numbers seems wholly unrealistic. These consumers should be considered within the target market for financial guidance. On that basis, the unserved market for free financial guidance is closer to 30m compared with the 0.5m served by public advice services each year, and 7.5 million in the paid advice market. In our view, it the needs of this 30m majority that requires the bulk of the FAMR review's attention.

It is our opinion that FAMR recommendations as they stand, will barely alter the number of people receiving the help they need. What is required is an approach to financial guidance by the FCA that allows the scale and reach of the financial services industry to be brought to bear on the issue. It is our firm belief that there needs to be a free service to consumers such that firms would be able to:

1. Explain what people in similar circumstances often choose to do
2. Provide a range of 'rules of thumb' to assist consumers in understanding the principles of prudent financial habits – these would be adopted by both the public financial guidance body and financial services firms to re-enforce key messages received by consumers
3. Provide directional guidance on sensible but specific courses of action on generic financial planning
4. Warn customers when they are invested in products which might no longer suit their needs, for example where they are invested in funds which no longer align with their risk profile or in asset classes which may not be in their best interests
5. Explain why it would not be prepared to carry out a transaction it considers unsuitable
6. Explain the various merits and features of products

(Detailed examples of the constraints on providing non-advised support can be found in Appendix B).

In relation to point 2 above, we believe that 'rules of thumb' should go further than the recommendations by the FAWG. If we are to take the '5 a day' fruit and vegetables habit as a benchmark, it is clear that an effective rule of thumb must be specific, measurable, and challenging. Whilst the rules of thumb proposed are rather general, they are nevertheless, a step in the right direction.

The work on advice definitions is also illuminating, although subject to interpretation. The FAWG claims that their study shows that, when properly explained, consumer understanding of ‘advice’ and ‘guidance’ significantly improves. In fact, the results show that those who find the descriptions unclear, reduces by only 5% (from 11% to 6%) with better explanation. Perhaps more telling are the most common terms people associate with guidance: ‘help’, ‘advice’, and ‘right direction’. This implies that financial guidance as permitted by the FCA’s proposals to the industry in this consultation does not align with what the public will be expecting from it. Indeed, it would suggest that what the public considers to be ‘guidance’ is significantly wider than what the FCA is proposing in the Guidance Consultation.

The output from the FAWG on the role of small to medium sized employers is a useful addition to the body of knowledge on this subject, although the research does not lend itself clearly to the conclusions that have been reached. Whilst the report states that 60% of employers would ‘positively embrace’ helping their employees if there was help available to them about what to do, what is not clear is what proportion of them would be prepared to undertake the face to face guidance that is envisaged in support of a MAS employer portal. Employers can already refer staff to MAS, but they would need to be prepared to engage in providing guidance themselves if the portal idea is to be effective. The report admits that employers ‘may need some convincing’ on this point. So, whilst an employer portal appears attractive intuitively, evidence has not been provided that its development would actually lead to significantly more people receiving financial guidance. Even if more guidance is provided as a result of this initiative, our view is that it would still be severely limited by the current constraints on non-advice services, and will not result in significantly more people taking action to address their financial needs, unless the FCA is prepared to alter its stance and proposals.

Taking the outputs from the FAWG together, our conclusion is that they provide some components of a solution, but not a mechanism for deploying it. That mechanism is a regulatory framework that provides for meaningful free financial guidance to be offered by the private sector. If the FCA fails to stake out a space for that practical help and encouragement to be given, we believe there is a very significant risk that the majority of the UK population will still be unsupported following this review. This would represent a significant failure for the review and be a bad outcome for consumers.

Please see Appendix A for an outline of TISA’s proposals for an effective Financial Guidance framework.

4. The need to focus on financial guidance

It is very clear from the weight of attention given to advice as opposed to financial guidance in the Guidance Consultation, that advised services are the area that the FCA considers most important to address. We agree that there are improvements that can be made to broaden the reach and affordability of advice.

Real financial guidance however is, in our view, a service that needs to be defined and created from scratch. To make it effective, is not just a matter of drawing a clear boundary around advice, and allowing an extremely limited service outside that perimeter. We are concerned that the proposals will do little to increase the severely limited reach of guidance services, with the result that there will be no change to consumer inertia to save/invest.

We believe that what is required is for the FCA to adopt a much bolder approach – creating its own definition that permits free financial guidance to customers that is sufficiently meaningful as to draw a large proportion of the private sector to provide it and the public to engage with it. This is the core challenge for the FAMR if the savings landscape is to be transformed to deliver a financially resilient society.

Further to this, we would refer back to the illustrative framework in the original FAMR consultation in 2015 which was presented for input as a tool to identify where there were advice gaps. In the light of subsequent work, it is worth revisiting that matrix to consider the extent to which the target groups and circumstances are catered for by the FAMR proposals and guidance:

	Taking an income in retirement (including through equity release)	Saving into a pension	Saving for short-term needs	Taking out credit and managing debt	Investing	Getting retail general insurance cover	Getting life insurance and protection cover	Taking out a mortgage	
Starting out	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	Need free financial guidance
Living for now	⚪	⚪	⚪	⚪	⚪	⚪	⚪	⚪	FAWG considers debt advice more suitable
Hard pressed	⚪	⚪	⚪	⚪	⚪	⚪	⚪	⚪	FAWG considers debt advice more suitable
Striving and supporting	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	Need free financial guidance
Stretched but resourceful	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	Need free financial guidance
Busy achievers	🟢	🟢	🟢	🟠	🟢	🟠	🟢	🟢	FAWG considers catered for by advice market
Affluent and ambitious	🟢	🟢	🟢	🟠	🟢	🟠	🟢	🟢	FAWG considers catered for by advice market
Mature and savvy	🟠	🟠	🟠	🟠	🟠	🟠	🟠	🟠	May need free financial guidance
Retired on a budget	🔴	🔴	🔴	🔴	🔴	🔴	🔴	🔴	Need free financial guidance
Retired with resources	🟢	🟢	🟢	🟠	🟢	🟠	🟢	🟢	FAWG considers catered for by advice market

The limited (and conservative) proposals prescribed to date by the FCA suggests that much of the in scope population for FAMR may not have its needs addressed.

5. Encouragement to take action

We recognise that there can be a fundamental difference of view between some regulators and industry as to the role of firms in the delivery of financial guidance - some regulators appear to hold the view that organisations which provide products should not also provide financial guidance.

There are broadly two types of detriment that may be experienced by financial consumers. One is the detriment that may occur as a result of taking inappropriate action - buying an unsuitable product, perhaps as a result of persuasion by a financial services firm. This is the type of detriment that appears to primarily occupy some regulators. The second type of detriment results from consumers failing to take action, and we would contend that this is the current default of a large proportion of UK consumers. Unfortunately, this detriment appears to receive less attention from regulators, even if consumers doing nothing is arguably an even worse outcome than investors doing something that is excessively influenced by an industry intermediary.

The result of this is that the guidance on non-advised services seems most concerned with the possibility that customers may be encouraged to purchase a product, or choose one product over another. Our concern is to the contrary, that the guidance will not permit such encouragement and as a result, customers will not take action.

The question we need to address is what safeguards the regulator would consider necessary to allow firms to provide the type of financial guidance we advocate - guidance that encourages them to make a product purchasing decision. We might, for example look to increase safeguards in the following areas:

- Removing the incentive to sell for any staff involved in the provision of financial guidance
- Establishing a basic standard financial guidance framework, so that customers presenting with the same circumstances to any firm, will receive the same basic guidance
- Enhancing the firm's duty of care, so that it goes beyond the current principle-based system of TCF

We recognise that there are those who believe that the provision of financial guidance should be kept separate from commercial provision of product. TISA has engaged with the consultation on a single financial guidance body, and we are supportive of the initiative. Nevertheless, we are also very firmly of the belief that a public financial guidance service can only succeed where there is close co-operation with the industry, for the following reasons:

- Unless customers are able to act on the guidance they receive immediately, a large proportion of them will not act at all. A public service can only provide access to products by referral to commercial providers
- A public service has a limited reach (currently approximately 500,000 p.a. by phone or webchat) and promoting the service has proved to be extremely expensive. The bandwidth and reach of the industry is greater by a significant order of magnitude
- A public service will not have access to the details of a customer's existing holdings, or specific knowledge of their features. It is therefore less well-equipped to provide bespoke guidance

6. Answers to consultation questions:

Q7: Do you agree with the guidance in this section.

No. As stated above, our view is that the proposals do not address the needs of most of the target population of UK consumers. This is because it precludes the provision of meaningful free financial guidance so that people in the 'squeezed' and 'comfortable' segments identified in the review, can be encouraged and supported in taking specific action to address their needs.

Q8: Are there any further specific areas where there is insufficient clarity in existing guidance?

This question is too narrow to make financial guidance an effective service for the bulk of UK consumers. It is not that the rules have not had sufficient clarity. The issue remains the fact that the FCA's current view of what constitutes acceptable guidance does not allow the majority of the target market to be supported in a meaningful way. Further clarity on what cannot be done fails to address the core issue of consumers not engaging with investments.

Q9: Are there specific areas where further clarity will be needed as a result of the forthcoming amendment to the Regulated Activities Order?

Further to our response to Question 8 above, we would encourage the FCA to reflect on the intentions and expectations set out at the start of this review. Providing clarity as to the perimeter between advice and guidance will not by itself result in consumers obtaining access to meaningful support.

Appendix A: TISA's proposed framework for financial guidance

The TISA response to "Amending the definition for financial advice", was based upon input from our membership and set out evidence to illustrate the potential need for financial guidance plus potential models for delivery of such services. Included within this report was a proposed framework for advice and financial guidance, outlining what each service might offer. Whilst the consultation has now confirmed the definition of advice in line with MiFiD rules, the broader definition of guidance services has yet to be considered by the FAMR review in detail. We are in the process of revising this framework as part of ongoing consultation work with our members, however this example does help to demonstrate the extent of work still required to develop a set of proposals that will allow meaningful guidance to be delivered to consumers seeking support in making informed financial decisions.

Framework for Evaluating Guidance and Advice

	Guidance	Advice
Summary	Guidance will provide you with suggestions and solutions relating to "*typical*" customers who may have similar circumstances to you You may be asked a limited set of question to help narrow the options available, but it will not make a personal recommendation It will also provide factual information relating to areas that are interest or concern you	Disclosure about the services being provided and the relevant costs Advice will provide you with a **personal recommendation** of the best course of action for you to take given your **personal circumstances (MiFID definition is assumed)** It may also provide you with guidance and factual information as part of the process
It is	Generic information and options for you to consider and take action on It will be based on a limited amount of personal information	A personalised recommendation based on your personal situation, objectives and needs
It isn't	A personalised recommendation tailored to your specific circumstances to follow a particular course of action	Generic information and factual information only (although this may be included as part of the advice)
What is involved?	Typically this requires providing very little information about your circumstances, objectives or needs However, some guidance providers may ask a limited set of questions to help make the guidance more relevant to your objectives	You will need to provide information about your circumstances, objectives and needs during an information gathering process. Other aspects will be explored such as your risk appetite and capacity for losses with regards to investments Personal recommendations will be tailored to your situation in order to ensure they are suitable and include the reasons for the recommendations
What to expect?	Accurate, up to date, relevant information and 'rules of thumb' based on 'people like you'; simple, sensible things to consider doing	A written report or letter describing the personal recommendation(s) covering specific products, providers and sums of money that outlines why it/they are suitable for

	That any actions you chose to take (or not take) will be your own responsibility	your personal situation, objectives and needs with a clear reason for that recommendation The cost of the advice will be confirmed and how it can be paid (or what you have already agreed regarding payment)
When might each option be more relevant?	Various occasions including • Early in your deliberations about your situation • For smaller decisions or ones that can easily be reversed • When you are comfortable in your own expertise to make final product/investment choices but want to check facts or understand options • You are comfortable implementing and taking responsibility for your own decisions	Various occasions including • Complex situations for example: if you are a higher rate tax payer, if your estate might be subject to inheritance tax; if you work and or live aboard; if you have multiple existing arrangements (Pensions, ISAs, savings etc) • Large (or otherwise significant) sums of money or with longer term considerations • Where you require help on specific courses of action taking into account all your relevant circumstances • Where you would like the adviser to take responsibility for giving and implementing the personal recommendations that result •
What are the costs?	Normally no explicit charge for a guidance service If your guidance provider is charging you should be explicitly informed up front in the process If your guidance provider is being paid to provide introductions this should be made clear to you	Initial and, if an ongoing service is required, and ongoing fee. All charges are to be agreed with you before any action is taken. Any changes must also be agreed (e.g. if a situation is more complex taking more time than anticipated) Some advisers will charge based on a % of your investment and others on an hourly rate or a fixed fee
What happens if I'm not happy?	If guidance was inaccurate or misleading you should complain to your guidance provider in the first instance • If the guidance was provided by an authorised (regulated) adviser and you are unhappy with the response you can take this up with the Financial Ombudsman Service • If your guidance was from an unregulated source you cannot go to FOS	You should complain to your adviser or adviser firm in the first instance They must independently assess if the advice given was suitable or not and this will result in the complaint being rejected or the matter being put right, possibly with compensation

	If you just didn't like the outcome of the actions you took following the guidance, there is no route for complaint	If you are unhappy with the response you can take this up with the Financial Ombudsman Service
Delivered by	Government Charities Independent guidance bodies Journalists Product providers (banks, investment platforms, life cos) Some regulated advisers	Qualified financial advisers who have passed minimum exam qualifications laid out by the financial regulator They may offer an independent or restricted advice proposition, Independent advisers must consider every product type and provider of those products when making each recommendation. Restricted advisers may not cover all areas (e.g. not advice on complex or higher risk products) or narrow the range of Providers products they will select from No adviser can be paid directly or indirectly by a provider to influence ether their decision making All advisers must meet the same qualification standards All advisers must follow the same rules regarding suitability or recommendations and treating customers fairly
Examples	• Information on HMRC tax limits associated with different tax wrappers (ISAs, Pensions, EIS and VCTs etc) • Information on investment fund performance • Best buy tables • Options to consider based on limited information about your position • Product information e.g. charges, eligibility criteria, product features • Provides a reduced set of options from a broader starting point through understanding some basic personal information e.g. tax wrapper applicability, fund types (such as Multi Asset vs Single Strategy; UK vs oversees equities)	• A written recommendation on which investment wrappers to use, through which provider or platform and how much to invest in which investment funds/products • A written recommendation on how much and when to withdraw your money from a product • A written recommendation not to change or take out a product • Illustrations to show how your investment might perform (as standard rates) given the costs and charges involved

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Appendix B: Practical applications and limitations of the guidance

The financial services industry is a natural first point of contact for millions of customers and there is considerable opportunity to provide financial guidance across a wide range of matters that would be of benefit to consumers. We have identified several examples below where consumers could receive guidance to help them make informed and better decisions. This again re-enforces the need for greater consideration of rules for financial guidance that meet the needs of the mass market.

Cash vs. Other Investments

Customer has most of their assets invested in cash

A customer calls a firm with a servicing enquiry on their ISAs. The firm notices that the customer has been using her full ISA allowance for several years and has all her money in cash. The firm is concerned that the customer is not receiving a return that will preserve the real value of her savings, but it cannot encourage the customer to look at other ISA investments it offers without this becoming a personal recommendation. It would be better if firms were allowed to ask questions about the customer's broader investments and to point out the reasons why investing in other assets might be something the customer should consider.

Existing Investments

Customers invested in under-performing funds

A firm contacts customers to inform them that it had been reviewing its range of funds and some funds had been removed due to underperformance. It was recommended to customers that they had a review with a financial adviser to consider their objectives, attitude to risk, and receive recommendations for replacement funds. The firm was not able to propose other funds for the customers' consideration as this would have been a personal recommendation. Instead, customers were told that if they did not have a review, their funds would stay the same and it may be less likely that their investment goals would be achieved. It would be better if firms were able to provide more information on the fund choices that would be suitable for the customers' currently-stated attitude to risk and objectives, rather than requiring them to make an appointment for a session with an adviser, and pay for advice.

Pensions

Customer wants to withdrawal a small amount from their pension

A customer (55+) calls and asks to make a lump sum withdrawal from their pension of less than £10,000. In most cases, as long as the customer is eligible, they are better off having the payment processed as a Single Lump Sum (SLS) instead of an UFPLS, as this doesn't reduce the amount that they can save into other pensions with tax relief. Firms cannot tell customers they might be better off with an SLA as this is likely to be a personal recommendation, yet normally the sums are so small that the customer will not pay for advice. It would be better if firms were able to ask questions to assess eligibility, and then explain to the customer that their request can be processed as an SLS, so that it doesn't affect tax relief allowance for other pension contributions.

Customer wants to set up a Small Annuity

A customer aged 55+ calls. They have received their Retirement Options Pack and would like to take out an annuity. They have a small pension fund under £10,000 which will generate a small annuity income of c£2.50 per month. The firm cannot tell the customer that using their fund to buy an annuity, is poor value for money and they would be better off using their fund in a different way, as this is likely to amount to a personal recommendation. Firms are restricted to saying that the small fund will generate only a small income, and referring the customer to a pack that explains all the options, after which, if the customer still unsure he/she should discuss with a financial adviser.

Orphaned customer Invested in potentially inappropriate funds

A customer has taken the Flexi Access Drawdown Option to access their Pension Commencement Lump Sum but has left the remaining funds in cash, which will gradually be eroded by charges. The firm has funds specifically designed for customers interested in taking Flexi Access Drawdown, but discussing their suitability is likely to be a personal recommendation, so the customer can only be told of their existence, be referred to explanatory literature, and suggest that if still unsure, financial advice should be sought.

Customer wants all their Pension Pots in one place

A customer calls and says that they have a number of small pension pots with other providers that they would like to bring together in one pot. It would be a personal recommendation, if the firm was to say any more than that pensions can be transferred into a single arrangement (with that or another firm), but advice should be taken as some pensions have valuable protections that could be lost if a transfer is made.

In terms of broader investment queries, there is a risk of a firm straying into a personal recommendation if help given to a customer:

- Refers to existing investments or wrappers
- Gives an opinion on an investment, or characteristics of a group of investments (even if no recommendation is provided)
- Mentions the characteristics of particular types/groups of investors (e.g. ‘growth investors’)

It is worth noting on the basis of the above, that a customer may be deemed to have received a ‘personal recommendation’ even if one was neither requested, nor intended, and that communication with the customer has been explicit and understood that a personal recommendation has not been given.