Financial Services Consumer Panel
AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

businessplan@moneyadviceservice.org.uk

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Dear Charles,

Consultation on the Money Advice Service 2018/19 Business Plan

This is the Financial Services Consumer Panel's response to the Money Advice Service's (MAS) business plan consultation.

The Panel appreciated the opportunity to discuss the outline of the business plan with you and your team in January 2018. Please find our responses to the consultation questions below.

Q1. Do you agree with our judgements about what may be valuable to continue or complete from our Corporate Strategy, as we move towards the single financial guidance body (given what was in the draft bill to establish it on 23 November 2017)?

Yes. The Financial Guidance and Claims Bill has of course evolved since it started its passage through Parliament in the House of Lords. The Wyman review of debt funding has also been published recently. However, neither of these appear to have a material impact on the start/stop/continue judgements MAS has made.

We realise the importance of a smooth transition from MAS into the Single Financial Guidance Body (SFGB), and agree that the best option for this would be for the current three bodies involved to continue operating as closely as possible to their current forms within the new single structure for the coming year. However, Aim 4 – more people accessing guidance and advice – cuts across all three bodies. All three should pool evaluation and 'What Works' evidence as soon as possible, with a view to developing a single approach for when the SFGB goes live.

The chapter on advice and guidance appears to assume that people seek help at defined decision points in their lives. This may be the case. We are interested to know whether MAS gets questions about Brexit, or the impact of technology. We believe MAS should do more to tell people about open banking, which could lead to them signing up for products and services they don't understand, and increased vulnerability to scams, mis-selling and unethical practices. It is important that there are independent sources of information available to consumers to help them fully understand these risks.

Q2. Given our Corporate Strategy, what are your comments on the activities and priorities for April 2018–March 2019 we have set out in the individual chapters covering each aim?

The panel had the following observations on the aims set out in individual chapters:

Aim 2: to support significantly more over-indebted people to access free, high-quality advice, as early as possible, to resolve their crises and build their long-term financial capability:

We are pleased to note both the increase in proportion of people seeking advice, and the outcome of the Wyman review, which has highlighted the mismatch on the supply of and demand for debt advice. There is a need to tackle this gap, which is only likely to grow. As it reviews the financial capability strategy, MAS might give some thought to how it could be more preventative, i.e. help people from getting into serious debt in the first place, building on the body of knowledge of the causes of over-indebtedness. While the activities under Aim 3 should help, there is a limit to how effective they will be when people can't save, and industry continues to lend money to people who cannot afford to repay it.

We welcome the greater emphasis on quality of advice. MAS needs to be careful not to duplicate FCA regulation. However, the FCA cannot realistically closely supervise all debt management organisations, and MAS has a vital role in managing the quality of advice given by those it funds that have not been through the rigours of FCA authorisation. It should report any concerns to the FCA, as well as commissioning debt advice only from those organisations that meet rigorous quality standards.

Aim 3: to help people most at risk from income shocks to manage their money and credit well day to day, and to build resilience by saving more for the future and protecting themselves against the unexpected.

There is little in this chapter about how MAS will help people to manage their money better or protect themselves against the unexpected. Insurance is not mentioned at all. A financially capable individual should be able to assess the risks they face, and manage these using the most appropriate financial product. There is no reference to how open banking might help, or to the many budgeting and saving apps widely available.

While the workplace is an obvious arena for delivery, it isn't likely to work for small employers, nor for the four million self-employed in the UK. We welcome extending the What Works funding to consider different categories of worker, the vast majority of whom do not work in large or medium-sized businesses.

We acknowledge the need to prioritise but the definition of working age (18-54) is too narrow. People are working – and borrowing – much later in life. There seems to be nothing in the Business Plan to help older people. A significant minority of over 55s are over-indebted. Those who are retired have fewer opportunities to increase their income, so arguably are more in need of money management skills.

Q5. Do you think our proposed long-term impact indicators address the most important outcomes in money management? Do you see any of them leading to unintended consequences?

The indicators are too focussed on debt, rather than active money management. It is not clear how they relate to the indicators in the financial capability survey, many of which seem more relevant to money management outcomes. In any case, MAS should collect information about each indicator for the whole population, and then segment it. We would also suggest – given the timescales – that these indicators are revisited as part of the integration of MAS into the SFGB.

On the indicators themselves, it is not clear why (A) should be confined to the working age population – isn't it important for those who are retired to get guidance or advice as well? What does 'access' mean? There is a big difference between glancing at a website and having a face to face session with a debt adviser, for example.

As acknowledged, (A) and (B) don't reflect *quality* of advice, which as noted elsewhere is crucial – although, in part, this is addressed by (C), the number of those seeking further advice within a year. It would be helpful if MAS could try and assess the number of people who do seek further advice for reasons other than necessity i.e. where it's a quality issue.

There are areas which are influenced by factors outside MAS's control – e.g. in the case of indicator (D), debt servicing costs are partly determined by factors such as movements in interest rates. On (E), saving is generally a good thing, but it is a lead indicator for *resilience*, rather than financial capability.

(F) looks ambitious as 'what works' may not be apparent for many years. As a start it may be sufficient to measure the input – the number of hours of financial education delivered by trained teachers – as this is known to be a predictor of effectiveness.

Q6. Do you agree that our 2018/19 commitments and measures of efficiency are robust and balanced? If not, we welcome alternative suggestions.

Against the backdrop of the transition to the SFGB, we agree that the commitments overall are balanced and comprehensive, subject to the comments above.

Yours sincerely

Sue Lewis
Chair, Financial Services Consumer Panel