

# Consultation Response

## HM Treasury: Public Financial Guidance

December 2015

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## **About this consultation**

The government is seeking responses on how the public provision of free-to-client, impartial financial guidance should be structured to give consumers the information they need to make financial decisions. There is a specific focus on Pension Wise, The Pensions Advisory Service (TPAS) and the Money Advice Service (MAS).

## **Key points and recommendations**

- Impartial public financial guidance is vital to encourage people to engage with financial services – industry information is a complement, not a substitute.
- The Government should develop a strategy to build capacity for supporting public financial guidance and financial capability across a wide range of agencies, not just Pension Wise, TPAS and MAS. Building capacity could be a specific statutory objective for MAS.
- Age UK believes that a joined-up information, guidance and advice journey is necessary to help people prepare for later life. We recommend that the Government looks at how it can use behavioural economics to build appropriate ‘triggers’ for advice taking throughout the life course.
- There is a need for both centres of expertise (such as TPAS) and holistic advice (such as Citizens Advice and Age UK) which can wrap services round a particular client group.
- The funding model largely follows the regulatory structure, and while multiple regulators and government departments remain involved scope for major rationalisation is limited.
- Age UK was strongly supportive of the setting up of MAS on a statutory basis and remains convinced that a strong central body focussing on financial capability is needed. Separation from the regulator also allows it to work across government.
- We believe that MAS should not only provide information directly, but also act as a central commissioning body for independent education, information and guidance across the non-profit sector, and with a specific objective of building capacity.
- We do not think a voucher scheme for guidance is workable.
- We question whether major restructure is necessary. What is important is how agencies work together in practice, and a proper and transparent system of monitoring, which looks at outcomes, not just outputs, and equality and diversity issues. This is not yet in place for Pension Wise.

## **Introduction**

As the country's largest charity dedicated to helping everyone make the most of later life, Age UK helps more than 5 million people every year in partnership with 165 local Age UKs, providing support and companionship for older people who need it most. A major part of this work is providing information, guidance and (non-regulated) advice across a wide range of issues. Age UK strongly welcomes this consultation and the Government's commitment to a statutory role in the provision of financial guidance.

### **Age UK's role in provision of information, guidance and (non-regulated) advice**

Age UK receives continuous feedback about financial issues of importance to older people through the activities of local Age UKs, calls to the national Information and Advice (I&A) line and hits on our web site. In addition we receive communications from the general public that highlight certain issues, and we run engagement events to focus on selected issues in detail.

We recently conducted a survey of local Age UKs' financial guidance/capability activities. From the network of around 165 Age UKs there were 88 responses and, of these, half were currently delivering what they regarded as a financial capability service. The most frequent topics covered by these services were scam awareness and remedies, budgeting and managing personal finances, and shopping around for cheaper consumer deals<sup>i</sup>.

Of the enquiries received from members of the public, the most frequent topics were: benefit checks, understanding financial statements, jargon and terminology, Powers of Attorney, scam awareness and remedies, switching service providers and planning ahead for care home fees.

Many practical day-to-day financial topics appear on the full list of enquiries including, for example, 'considering equity release', 'negotiating repayments', 'calculations around part time work', 'setting up direct debits', 'understanding creditor powers'.<sup>ii</sup>

### ***Financial information and guidance via Age UK's national advice line***

This pattern of concrete, practical enquiries related to day-to-day life and plans for the future is repeated in the data from Age UK's national advice line, and financial issues are one of the main areas of enquiry. I&A calls are divided into Level 1 and Level 2, with Level 2 providing more in-depth discussion and (non-regulated) advice.

In 2014-15, the most frequent topics at Level 1 were benefits, finding help at home and housing. At Level 2 the most frequent topics were benefits, residential care and non-residential care.<sup>iii</sup>

In 2014-15, there were 271,741 I&A enquiries, of which 16,535 were advanced to Level 2. In addition, Age UK had 3.1 million unique visitors to the I&A pages on its website. In total, Age UK's I&A services reached 5.8 million people in 2014-15. Reflecting the needs of enquirers, the top 10 Information Guides produced by Age UK included many financial topics.

### Top 10 Information Guides

| Individual orders         |        | Bulk orders                      |         |
|---------------------------|--------|----------------------------------|---------|
| More Money in Your Pocket | 14,618 | Staying Steady                   | 157,270 |
| Care at Home              | 9,942  | Winter Wrapped Up                | 133,853 |
| Pension Credit            | 9,003  | More Money in Your Pocket        | 51,006  |
| Adapting Your Home        | 6,473  | Healthy Eating                   | 46,943  |
| Attendance Allowance      | 6,204  | Caring for someone with Dementia | 40,932  |
| Powers of Attorney        | 3,951  | Healthy Living                   | 40,084  |
| Advice for Carers         | 3,888  | Bereavement                      | 37,356  |
| Wills and Estate Planning | 2,837  | Advice for Carers                | 36,961  |
| Save Energy, Pay less     | 2,835  | Powers of Attorney               | 36,361  |
| Winter Wrapped Up         | 2,640  | When someone dies                | 34,840  |

### The continued need for impartial guidance

Professional advice needs to work together with free, impartial public financial guidance, for the following reasons:

- There are some forms of impartial assistance that are needed for public policy reasons (particularly pensions, care funding and debt) and that the market-place will not provide, or only at a cost that those affected cannot afford – for example, advice on what to do about an unpaid interest-only mortgage
- If free guidance is provided by a product provider, it can help with broader questions relating to the product (e.g. what options to consider) but it may also reduce the likelihood of shopping around (as shown by experience with the open market annuity option).
- A statutory role can build in some form of regulation that will deter fraud – for example, the Pension Schemes Act 2015 ‘designates’ providers of Pensions Guidance so that regulators can take action against people seeking to use the term to mislead, mis-sell or defraud.
- A minimum level of public funding is essential to sustain a healthy guidance infrastructure and to complement corporate funding. Corporate funders are valuable supporters for shorter term, or pilot initiatives, but rarely provide infrastructure funding. Without infrastructure funding to provide sustainability, services may be

working on short-term contracts, which can take six months to get going and at the end of which trained staff are often lost.

### **The importance of non-profit infrastructure**

We appreciate that this consultation is focussed on the roles of Pension Wise, The Pensions Advisory Service (TPAS) and the Money Advice Service (MAS). However, these agencies do not work in a vacuum; in addition to Citizens Advice, the current infrastructure for non-profit financial guidance and financial capability is much wider. For example, local authorities have duties under the Care Act 2014 to provide information and advice about care funding and to facilitate access to financial advice for those who could benefit. They have also, in the past, funded many local welfare services, although cuts to local authority funding have resulted in many such services being restricted or closing altogether. The work of the Low Commission sets out a good description of this infrastructure and the challenges facing it<sup>iv</sup>.

Many charities such as Age UK reach into particular groups that may be hard to engage with by other means, or who have specific needs (such as carers, people living with dementia or cancer or people with problem debt). Although these organisations often focus on social welfare issues, they also form a vital part of the infrastructure for financial guidance, helping people to engage with financial services (for example how to find a financial adviser, how to trace a lost pension, encouraging people to tackle problem debt), referring them to Pension Wise, TPAS and MAS, distributing materials and also in some cases acting as service deliverers themselves (for example Age UK has been a subcontractor to MAS in the delivery of face-to-face money guidance in some areas). They also work with corporate partners (such as Prudential) to deliver specific programmes. However at a time when traditional forms of support (and in particular local government funding) is reducing, there is an increasing ‘waterbed’ effect – one local agency cuts a service, the need then falls on its neighbour.

We therefore recommend that the Government looks at the network as a whole and how it can build capacity within it. Having a wide range of organisations with common messages, each reaching particular groups, could strengthen engagement just as much or even more than spending large amounts on marketing one brand.

In particular, there is a need for both centres of expertise (such as TPAS) and holistic advice (such as Citizens Advice and Age UK) which can wrap services round a particular client group. Expert and holistic services often work together very effectively: for example, as only some Age UKs have specialist debt advice services, Age UK nationally works in partnership with Step Change Debt Charity and refers cases to them.

## Consumer engagement

Age UK would like to see a joined-up information, guidance and advice journey to help people prepare for later life and then make best use of their assets throughout, starting with a mid-life career review at about age 50, moving on to at-retirement pensions guidance, and with a further guidance session in later life.

As experience with Pension Wise has shown so far, often people who really should take financial guidance and advice are reluctant to do so, and they are likely to need a ‘trigger’ to encourage them to take the first step. At the moment, that trigger is most likely to be a crisis – such as debt, a care crisis, or being unable to put off a decision any longer (for example, on drawing a pension). The challenge is to encourage people to take more preventative advice. We recommend that the Government looks at how it can use behavioural economics to build appropriate ‘triggers’ for accessing guidance in later life. For example an employer can provide one trigger through a mid-life career review and the incentive of drawing a pension may provide another, but there is no similar trigger in later life. We recommend a ‘mid-retirement money health check’ is developed, perhaps publicised through the five-yearly ‘health checks’ that GPs provide or triggered when your pension funds fall to a certain level.

## Responses 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?***

Yes. For example, around a third of older people are not claiming Pension Credit to which they are entitled<sup>v</sup>. We recommend that where possible guidance providers (and the Government, in the case of Pension Wise) should track and publish the extent to which people in particular groups are accessing the service.

People who are not online often have particular difficulty in finding guidance. Such people are usually, but far from exclusively, older, – virtually all (99 per cent) of young adults have recently used the internet, but this falls to 71 per cent of those aged 65 to 74 and just 33 per cent of those aged 75 and over<sup>vi</sup>. As shown in the Table below, there is also a marked link to socio-economic group, and a significant minority of people in groups DE are digitally excluded, even at younger ages. It is therefore vital that some form of face-to-face access is maintained – although this could be made more efficient by greater partnership working between expert and holistic agencies.

## Percentage who do not use the internet by age and socio-economic group

|            | All | 16-24 | 25-34 | 35-44 | 45-54 | 55-64 | 65-74 | 75+ |
|------------|-----|-------|-------|-------|-------|-------|-------|-----|
| <b>AB</b>  | 5%  | 0%    | 0%    | 1%    | 1%    | 7%    | 15%   | 39% |
| <b>C1</b>  | 9%  | 0%    | 1%    | 1%    | 4%    | 10%   | 25%   | 63% |
| <b>C2</b>  | 16% | 2%    | 3%    | 3%    | 9%    | 19%   | 37%   | 81% |
| <b>DE</b>  | 25% | 14%   | 9%    | 7%    | 14%   | 32%   | 45%   | 78% |
| <b>All</b> | 14% | 7%    | 3%    | 2%    | 7%    | 16%   | 30%   | 67% |

Source: Ofcom 2015 – table provided to Age UK

We also recommend that the Government considers the findings of the Financial Conduct Authority's (FCA) valuable work on consumer vulnerability<sup>vii</sup> and the forthcoming report of the Vulnerability TaskForce.

### Debt

**Q2. What additional, or alternative functions and structures could a statutory body put in place to effectively coordinate debt advice provision?**

**Q3. What role should a statutory advice body have in providing quality assurance and setting standards for debt advice?**

**Q4. What scope is there to rationalise the funding of public financial guidance on debt?**

As Age UK nationally does not specialise in debt advice, we are not in a position to comment on this section. However, we repeat the point made in our response to FAMR: the interaction of debt and pensions crosses two regulatory categories and therefore individuals may have to be handed over between agencies or between non-profit and professional advisers if, for example, they want to know whether they should cash in their pension to repay debt. We suggest the Government explores whether a 'safe' way can be found to allow a more streamlined model, for those individuals who cannot afford professional advice.

### Pensions

**Q5. What additional, or alternative functions and structures could a statutory body put in place to effectively coordinate public financial guidance on pensions?**

**Q6. How could the organisational delivery of public financial guidance on pensions be improved to provide greater efficiency?**

The paper asks whether there is scope to rationalise statutory pensions guidance to make it easier for consumers to understand where to go and generate efficiencies. We doubt whether there is much scope for rationalisation, given that pensions guidance is so difficult

to disentangle from other forms of financial guidance and the funding streams largely follow the regulatory structure. It is how the agencies work together that is the most important factor. We believe the model of ‘expert/holistic’ described in our introduction above is particularly appropriate here and have the following suggestions for increased efficiency.

### ***Greater partnership working***

Pensions guidance is so complex that at its heart must be an expert organisation. TPAS fits that role extremely well and efficiently, and we believe that it needs minimal change. However, it would benefit from a wider more ‘holistic’ infrastructure to encourage people to engage with it – and it, in turn, needs other organisations it can signpost to when necessary, for example on issues to do with debt, mortgage repayment, state benefits and care funding. TPAS is likely to find it difficult to develop this wider expertise without risking losing its focus on pensions. Increasing activity on other issues would also raise difficult questions around whether the current funding model (with half its funding coming from the pensions industry) is appropriate.

This is particularly the case for issues around care and care funding – another highly technical area, and one which is affected by local issues. The interaction between care funding and pensions is likely to become increasingly important if a secondary annuity market is developed. So too will questions around the need to protect dependants and mental capacity. This is an area where Age UK would be keen, with sufficient funding, to provide support. We therefore recommend that TPAS develops partnerships with other organisations to provide guidance on care funding.

Partnership working might also be helpful if it becomes apparent, during a telephone or online guidance session, that face-to-face help is needed (for example to help a client go through ‘the carrier bag of papers’). Another agency could be paid a fee to host a face to face session, perhaps with video conferencing, to assist the client and also to ensure that the specialist support is used most effectively.

### ***Better access to data***

A ‘pensions dashboard’ is likely to be a vital foundation for both improved consumer engagement and any stream-lined guidance process. Age UK believes that the Government must prioritise and pay an active part in its development.

### ***Greater flexibility in delivery and scope***

Pension Wise appointments, as the consultation points out, are only available to people over the age of 50, and appointments are tightly scoped and bounded. We are concerned



(from our own experience with money guidance) that a time limited, heavily prescribed session, can be counter-productive and may mean that the client still needs support from other agencies. We would support allowing Pension Wise a bit more flexibility both in scope and in tailoring the service to meet the client's need.

The consultation asks whether members of defined benefit schemes would benefit from additional support, but we question whether this is necessary as long as support is available through TPAS.

### ***Greater use of technology***

As set out in our response to FAMR, Age UK is supportive of using automated systems to support the delivery of impartial guidance, provided that there is support if needed either by telephone or face to face, to 'coach' people through some of the questions and for those people who are not online. However, any such systems should be carefully tested with consumers.

### ***Rationalising websites***

We question whether it is necessary to have a separate Pension Wise website, particularly one which has to fit within the 'gov.uk' brand. We would support either TPAS or MAS assuming responsibility for the Pension Wise website.

## **Q7. What scope is there to rationalise the funding of public financial guidance provision on pensions?**

We are not in a position to comment in detail on funding. However, we note that the funding model largely follows the regulatory structure, and while two major regulators (the Pensions Regulator and FCA) are involved scope for rationalisation is limited. It seems fair for a significant part of the funding to come from the pensions industry (both TPR and FCA regulated) and from the Department for Work and Pensions (as the provider of the state pension).

### **Money and financial capability**

## **Q8. Are the statutory objectives underpinning MAS the right ones?**

The objectives are broad, as they should be. While TPAS and Pension Wise are the 'experts', MAS is the 'holistic' provider of public financial guidance, ensuring that all areas are covered. We would not support the restriction of MAS' objectives. We suggest that its objectives could also include developing capacity in the wider 'information and guidance' infrastructure. This could be analogous to the duty on local authorities in the Care Act to

ensure the availability of information and advice on care and care funding: the statutory guidance makes it clear that:

*'The duty extends beyond the direct provision of information and advice by the local authority, though this is clearly important, to ensuring the coherence, sufficiency and availability of information and advice across the local authority area and facilitating access to it.'*<sup>viii</sup>

**Q9. What role, if any, should a statutory body have in providing general money guidance?**

**Q10. What role, if any, should a statutory body have in supporting financial capability?**

Individuals now bear much of the burden of ensuring their own financial security, and it is in the public interest that they should be able to make good financial decisions in order to do so. This requires both improved financial capability in the population as a whole and money guidance for individuals to support specific decisions. It also requires improved tools to help individuals track their money, such as the Pensions Dashboard.

Age UK was strongly supportive of the setting up of MAS on a statutory basis and remains convinced that a strong central body focussing on financial capability is needed. Improving financial capability is a long-term project; it is not something that any single firm or agency can do on its own, nor is it something that can be left to the industry, which has other drivers. While it may be argued that this could be a role of the regulator, we think on balance it is preferable to have a separate body to provide the long-term focus required. It also enables MAS to support other areas of government that are not within FCA's remit – for example, the Universal Credit programme.

The material MAS produces is extremely useful and reduces costs elsewhere in the system – for example, local Age UKs use some MAS material. However, as we said in our response to the Farnish Review, we believe that MAS should not only provide information directly, but also act as a central commissioning body for independent education, information and guidance across the non-profit sector, and with a specific objective of building and sustaining capacity. This would increase its reach into particular client groups and also provide leverage up the work of the non-profit sector.

We also argued that it would be helpful if industry could work collaboratively with MAS to highlight their consumer financial education initiatives and create a more joined-up approach. This would enable better mapping and monitoring of activity and gaps. We are pleased that many industry organisations are taking up this challenge by working with the Financial Capability Strategy, and we ourselves at Age UK are committed to doing so too,

serving both on the Financial Capability Board and chairing the 'older people in retirement' steering group.

However, coordination alone is not enough; MAS must be able to commission more work itself if it is truly to have an impact on the market. Otherwise, financial capability initiatives will largely remain driven by what funding is available elsewhere.

**Q11. What scope is there to rationalise the funding of public financial guidance provision on money matters and / or financial capability?**

Age UK believes that it is vital that there is an organisation such as MAS, funded by industry levy, to drive forward and commission holistic financial guidance and financial capability. We would be open to other funding models – for example, supplementing core funding by a percentage of regulatory fines on industry – but given that direct funding from Government is unlikely in the current climate we think the bulk of the funding should continue to come from the financial services industry. Consideration should also be given to levies on other regulated industries that might benefit from improved financial capability.

**What does government need to provide?**

**Q12. How do you think that the government could best complement voluntary sector provision of financial guidance?**

Except for pensions guidance and MAS, which are supported by DWP and industry levies, voluntary sector provision of financial guidance is very limited. Many voluntary agencies, including Age UK, are committed to providing some level of financial information and guidance, and with appropriate funding could do more. However, we and other voluntary sector agencies are currently finding it a challenge to sustain our current level of activity. One important reason is cuts to local government budgets, which in the past have played an extremely important role in sustaining our infrastructure. While industry-funded initiatives of course have an important role to play, these are often relatively short-term and limited in scope. There are many gaps in provision by area and by topic, and on their own these will not provide the long-term, sustained support that is needed.

MAS potentially has a vital role to play in providing funding, not just coordination. The Government must maintain levies on the industry, but should also develop a cross-governmental strategy for building capacity in the voluntary sector – or give MAS or another agency a duty to consider how the wider infrastructure for public financial guidance should be maintained.

**Q13. Do you think that the government could offer a more integrated public financial guidance service to consumers, throughout their lives? How do you think this could be achieved?**

Yes. As stated earlier, Age UK would like to see a joined-up information, guidance and advice journey to help people prepare for later life, starting with a mid-life career review, moving on to at-retirement pensions guidance, and with a guidance session in later life. There is a strong argument for expanding this into a service that is available throughout life. In order for this to happen, the following are needed:

- Trigger points, creating norms at which people are encouraged to think about the future. Retirement is one such trigger point (although an increasingly amorphous one, as retirement becomes less of a single point in time) but other trigger points may need to be developed – perhaps by using similar mechanisms to GP health checks, or alternatively a trigger based on changes in the individual's pension assets.
- Coordination and leadership. The Financial Capability Strategy should be able to provide the coordination that is needed.
- Capacity building in the voluntary sector. This means longer-term contracts, so that trained staff are not lost after three years; provision of training and evaluation; and support with what works. Quality assurance should complement rather than duplicate the many quality schemes that already exist.
- Funding. Employers, the financial services industry, other Government departments and local government all provide some element of funding. But a sustainable source of core funding to maintain the guidance infrastructure, e.g. through industry levies, is essential. Levies on individual financial products are sometimes suggested as a form of funding. However, this would directly tax the purchase of products, which might deter some purchases. The Insurance Premium Tax is already causing a number of complaints following the recent increase in its rate. Supplementing core funding by a percentage of regulatory fines on industry might be a fairer source of funding.

**Q14. Do you think the government should explore any alternative options for the provision of public financial guidance?**

A government-backed voucher scheme is suggested as an alternative. We would have concerns about the administrative cost of such a system, which would also introduce an unwelcome element of 'rationing'. It fails to recognise the 'messiness' of real life – what would happen if people needed guidance from more than one agency, or more than one session? People who could benefit most from guidance may need more than their 'ration' of vouchers.

It is possible that a voucher system could have a behavioural impact, encouraging people to value and therefore take up a guidance session. However, the concept should be extensively tested before this route is chosen.

### **How should it be provided?**

#### ***Q15. Are the suggested core services the right ones? Should any core services be added?***

We agree that debt advice and pensions guidance are core services. However, another vitally important core service is guidance on care funding. Our research shows that state support for care funding is available to only one in ten of the population, leading individuals' health and wellbeing to be dependent on being able to pay for adequate care. We recommend that the Government reviews the adequacy of the information and advice provided by local authorities in relation to care funding, and if there are gaps, as we believe there are, care funding should become a core service.

#### ***Q16. Are the suggested principles the right ones to underpin the statutory provision of the core services? Should any principles be added or removed?***

Two important principles that should be added are:

- Impartiality, for the reasons provided in our introduction.
- Accessibility by a range of channels. People who are not online face double exclusion if financial guidance is not available through alternative means.

We question whether consumers are currently confused by 'having to assess the relative value of different statutory products on the same theme'. As long as the messages are consistent, there is a value to having different routes to them.

#### ***Q17. Do you think that statutory provision should be restructured to improve the guidance service to consumers, and if so, how?***

We question whether a restructure would make the system significantly more efficient or effective, given that it merely follows the current structure of regulation. What is important is how agencies work together in practice, and a proper and transparent system of monitoring, which looks at outcomes, and equality and diversity issues. This is not yet in place for Pension Wise. We are very disappointed that the recent data released are very high level. The information is of limited value without further context.

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<sup>i</sup>Interim feedback from local partners re Financial Capability Survey and next steps (internal Age UK document, October 2015), p 3.

<sup>ii</sup> Interim feedback from local partners re Financial Capability Survey and next steps (internal Age UK document, October 2015), p 3.

<sup>iii</sup> Age UK, *Service Delivery End of Year Report 2014/15*

<sup>iv</sup> The Low Commission on the future of advice and legal support, <http://www.lowcommission.org.uk/>

<sup>v</sup> *Households below average income*,

<sup>vi</sup> <http://www.ons.gov.uk/ons/rel/rdit2/internet-users/2015/stb-ia-2015.html>

<sup>vii</sup> *Occasional paper no 8: Consumer Vulnerability*, Financial Conduct Authority, February 2015

<sup>viii</sup> *Care and Support Statutory Guidance issued under the Care Act 2014*, Department of Health, paragraph 3.3