Call for Evidence Response

Review of the Money Advice Service

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Name: Lucy Malenczuk and Vivienne Man
Email: lucy.malenczuk@ageuk.org.uk and vivienne.man@ageuk.org.uk

Age UK
Tavis House
1-6 Tavistock Square
London WC1H 9NA
T 0800 169 80 80 **F** 020 3033 1000
E policy@ageuk.org.uk
www.ageuk.org.uk

Age UK is a charitable company limited by guarantee and registered in England (registered charity number 1128267 and registered company number 6825798). The registered address is Tavis House 1-6 Tavistock Square, London WC1H 9NA.

This is a response to HM Treasury's independent review of the Money Advice Service (MAS).

About Age UK

Age UK is a charity and a social enterprise driven by the needs and aspirations of people in later life. Our vision is a world where everyone can love later life and our mission is to help people enjoy a better life.

Age UK provides information and advice to over 5 million people each year, runs public and parliamentary campaigns, provides training, and funds research exclusively focused on later life. We support and assist a network of around 170 local Age UKs throughout England; the Age UK family also includes Age Scotland, Age Cymru and Age NI. We run just over 450 Age UK charity shops throughout the UK and also offer a range of commercial products tailored to older people.

We run a national telephone advice service providing information and signposting in response to enquiries received, and an in-depth advice service for more complex queries. The local Age UK network delivers information and advice through face-to-face contacts, home visits, telephone contacts and written advice such as emails and letters. We offer a wide range of information guides, factsheets and content online. In addition, we distribute Life magazine three times a year and run a radio station, Age UK Wireless.

MAS face-to-face guidance through Age UK

Age UK delivers part of the contract for MAS face-to-face guidance. The contract is delivered through five of our local partners with the aim of enabling older people to access MAS guidance. All of these sessions were carried out face to face at the local Age UK office, at an outreach venue (e.g. a library or GP surgery) or in the home of the older person.

1. Summary

Age UK is pleased to respond to this call for evidence based on our experience of providing information and advice for older people and expertise in financial services policy. 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.

Key points and recommendations:

- MAS should take on a broader interpretation of its statutory objective to deliver 'consumer financial education' to ensure that the 'education' part of its statutory remit is clearly reflected in its core priorities.
- MAS should review its performance against its statutory framework on a regular basis.
- MAS should be a central commissioning body for consumer financial education, with funding routed through it, delivery delegated to others where appropriate, and an evaluation framework built into the process.

- MAS should focus on those most vulnerable to the consequences of poor financial decision-making, provided this is applied irrespective of age.
- We welcome MAS' development of the financial capability strategy, particularly the inclusion of workstreams on working age and older people.
- Older people should be a core target market fully integrated into MAS' priorities, beyond the financial capability strategy.
- We call for a more diverse approach to MAS' channel management, broadening out the 'digital first' strategy.
- The financial services industry, FCA and government play a crucial role in improving the financial services market in the interests of consumers. At the same time, it is imperative for MAS to improve the financial capability of UK consumers through the delivery of high quality information, education and advice.
- We would welcome a stronger focus on evaluating long and short term impact as well as reach across all consumer-focused MAS activity, to demonstrate the new MAS evaluation framework in practice.

2. **Responses**

Q1: In what areas do consumers' awareness and understanding of financial matters most need to be enhanced? Where is the detriment most prevalent and most material?

Retirement is a key area of personal finance where consumers' awareness and understanding need to be enhanced. This need has been increased by the government's introduction of more 'freedom and choice' in pensions, and by the increasing numbers of older people in the UK.

The retirement issues centre on:

- Saving enough for retirement
- Making sound decisions at the point of retirement, and
- Managing money well throughout the whole of one's retirement.

Age UK recently published *Financial resilience in later life*, our report setting out Age UK's roadmap for industry, government and regulators to improve the financial resilience of our ageing society. We found that:

- Many older people lack financial resilience and financial provision in later life is poor. Up to 20 per cent of 'baby boomers' aged 50-64 show very low readiness for ageing, with insufficient pensions, housing or material wealth.
- Things are likely to get worse before they improve. Automatic enrolment and the new single-tier state pension are welcome, but will only have a marginal impact on those within 20 years of retirement. People who haven't built up enough funds for retirement or who are struggling to stay in the labour market will suffer.
- We need to plan for the *whole* of later life, including possible care needs. The report highlights the u-shaped spending curve where someone might spend more in the early, active years of retirement, with spending decreasing in the middle years and then increasing again with additional care and medical expenses. However, people don't tend to think about their retirement spending in this way, nor do financial products and services cater for this pattern of spending.

- Life is inherently uncertain. People may not be in a position or willing to save for care, especially when future health needs are unpredictable. We need a new approach to financial services that concentrates on developing resilience. This means providing a certain level of certainty but also recognising that people may need more products at the point of need and better levels of advice and information to enable them to navigate their choices well.

Whilst people of all ages and all walks of life could benefit from better awareness and understanding of managing money in retirement, older people – especially those on fixed incomes - are particularly vulnerable to the consequences of poor financial decision making, because once retired they no longer have the ability to accumulate wealth. Whilst saving for retirement ought to start as early as possible, older people also have a stronger incentive to take action on their retirement finances, as they're closer to retiring or already retired.

Older people are less likely to be internet users, and the trend towards digital communications, especially with MAS' digital first approach, means that older people are less likely to be targeted and potentially harder to reach. Over 29 per cent of people aged 65-74 and almost 63 per cent of over 75s have never used the internet[1].

Given the diversity of issues and radical changes to the retirement landscape, older people should be a priority target group for MAS. This will mean setting priorities that are relevant to them. This has not always been the case in the past – for example MAS' 2013-14 Business Plan effectively excluded older people (its outcome indicators weren't relevant to the needs of older people and its target customer base didn't include anyone aged over 55).

We are pleased that this is changing (for example, with the 2014-15 addition of 'maintaining a budget' as a new indicator) and welcome MAS' development of the financial capability strategy which includes workstreams on working age adults and older people (we have been involved in both and Jane Vass, Head of Policy at Age UK chaired the older people's working group). We look forward to hearing MAS' role in delivering the strategy and hope that targeting older people will be a core part of their priorities, as well as part of the financial capability strategy.

Q4: What potential is there for the gap in consumer capabilities to be addressed through industry doing more – for example, by reducing complexity and helping make its products more understandable? How does this compare to the potential for reducing the gap in consumer capabilities through education and advice?

The industry, FCA and government play a crucial role in improving the financial services market in the interests of consumers. They have the power to change the infrastructure and environment, and to shape the choices consumers can make. For example, the industry can do much more to treat customers fairly

[1] ONS Internet Access, quarterly figures, Q1 2014, May 2014

and be age-friendly in its approach to product and service design. Ensuring this at the outset may alleviate problems with poor firm communications and poor customer experience. At the same time, it's imperative for MAS to improve the financial capability of UK consumers through the delivery of high quality information, education and advice. The gap between industry action and consumer understanding will only be reduced if the issues are tackled at all ends of the spectrum. This includes the FCA establishing and enforcing the regulatory landscape, and the government intervening in areas of consumer detriment where issues fall out of the FCA's scope. For example, the government has a role to play to ensuring that our growing older population isn't unfairly disadvantaged in the market for financial services purely because of age.

Potentially, intelligence on consumer research and behaviours could be shared between the industry and MAS, perhaps via the FCA, so that risks could be more quickly identified and mitigated by the relevant party.

Information asymmetry will always exist between firms and consumers. A balance ought to be struck between consumer and firm responsibility. In an ideal market for financial services, the majority of consumers would be well informed and active. At the same time, the industry would run effectively and fairly, providing appropriate communications and tools to equip all customers with the skills and knowledge to be well informed and active. In reality, change will take long term commitment by the industry, government and regulator.

In this landscape, we see the role of MAS as providing information directly, but also acting as a central commissioning body for independent education, information and guidance across the non-profit sector. It would also 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.

Q7: Do you think that the strategy set by MAS for interpreting its legislative remit remains appropriate? What improvements could be made? For example:

- **What priority consumer outcomes do you think MAS should focus on?**
- **Do you agree with MAS's assessment of its target market? If not, what should it be and should MAS be more or less targeted in the groups it focuses on and how it does so?**
- **How should the work of MAS fit with that of paid-for independent financial advice and the consumer advice and support services provided by organisations such as Citizens Advice?**

We welcome MAS's recent more consultative approach, including consulting on its business plan. However, we would like to see further clarity from MAS on how it sees its own role and responsibilities in the context of the developing financial capability strategy. We also recommend that MAS reviews its performance against its statutory framework on a regular basis (building this into any business planning and performance management processes) and focuses its priorities accordingly.

As a consumer financial education body, MAS' legislative remit is appropriately broad. However, MAS' interpretation of its remit has been focused on delivering information and advice, predominately online. In its 2014/15 business plan, MAS sees itself as fulfilling three key roles:

1) Providing people with generic information about money matters
2) Helping people who are facing unmanageable debt get their finances back in order
3) As a leader and influencer beyond its own Service, to coordinate and facilitate the overall financial capability landscape.

It is disappointing that only 1.3 percent of its interaction with customers is not via its website. Whilst the trend towards digital services is logical and cost effective, there are limits to the effectiveness of websites (as opposed to other types of interactions) in changing consumer behaviour. In addition, at Q1 2013, 7.1 million adults (14 per cent) had never used the internet.[2] Whilst Age UK is contracted to deliver a small portion of MAS' face-to-face services, a significant proportion of older people who are less likely to use the internet, and who have a preference for phone or face-to-face services, won't be targeted by MAS. For example, StepChange found that the over 60s are three times more likely to use the telephone than the internet to seek debt advice, and over 60s advised by StepChange have the highest average unsecured debt (£20,887) in comparison to other age groups.[3]

In future years, we would welcome greater prioritisation of the 'education' part of its statutory remit, with a focus on those most vulnerable to the consequences of poor financial decision-making (as recommended by the Thoresen Review of Generic Advice), provided this is applied irrespective of age. This is likely to require a more diverse approach to MAS' channel management, to balance online information with other forms of delivery.

We are pleased that MAS is developing a financial capability strategy and would like to see this fully integrated into its 'business as usual' planning, to ensure cohesion. That way, its generic information/advice services would complement its financial capability and debt advice strategies.

We would like to see MAS as a central co-ordinating body, with funding routed through it. We recommend that MAS identifies and fills gaps in existing delivery of financial information, education and advice, and reduces overlaps. Where appropriate, delivery should be delegated to specialist or local organisations, to serve the needs of different segments of the target markets.

We would welcome clarity on whether MAS intends to deliver or fund financial capability as well as 'coordinate and facilitate' the overall landscape. MAS is the only consumer financial education body with a secure and permanent funding source, and therefore the resources to deliver and co-ordinate financial capability initiatives across the country, whether this is delivered in-house or by specialist partners. Without dedicated MAS funding for financial capability, it is difficult to see how a UK financial capability strategy (reliant on the funding of other organisations that will have their own priorities) will be sustained. MAS should also recognise that pre-existing financial capability initiatives delivered by the third sector may have competing requirements.

We welcome MAS' intention to roll out a good practice evaluation framework across the sector. We would like to see the framework embedded into MAS' own work for consistency. Funding financial capability initiatives with strong evaluation built in upfront would be the best way to embed its evaluation framework across the sector and demonstrate best practice. It would also be helpful for other providers of funding to use the same framework (see Question 12 below).

Q8: What should MAS's balance be between focusing on achieving broad consumer outcomes and focusing on outcomes more specifically linked to current issued faced by mass market consumers such as affording a mortgage with prospective interest rate rises?

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Q11:To what extent should the FCA's new statutory remit affect the relationship between the FCA and MAS?

MAS would benefit from a flexible approach to responding to key issues faced by consumers, whilst maintaining its broad commitments to improving consumer outcomes. As the FCA is increasing its consumer market intelligence capability, it could usefully feed intelligence to MAS (without compromising market sensitivities), to enable MAS to rapidly tailor its consumer communications, and put key messages into relevant content, to reach a broader audience than the FCA.

Q10:What are, and will be, the needs of consumers in the retirement/decumulation phase of their lives, especially given the changing nature of retirement itself and the evolving retirement income market? What role should MAS play in supporting consumers to meet these needs?

We refer you to Age UK's Freedom and choice in pensions consultation response which sets out our policy position on the needs of consumers approaching and in retirement:
http://www.ageuk.org.uk/PageFiles/12790/Ref%200814%20Age%20UK%20Freedom%20and%20Choice%20response.pdf?dtrk=true

While 'at retirement' decision making is clearly a key point of interaction, the new pensions landscape will require people to make ongoing decisions about drawing down their pension saving, and how it interacts with care planning. It is therefore important for MAS to provide information for people throughout retirement, not just at point of retirement.

Q12:How effective is MAS's model of directly providing consumer financial education to meet its objectives? What is your view on alternative approaches raised as part of the public debate – for example, white labelling consumer content for others, working more through third parties, adopting an accreditation model to promote higher sector-wide standards, or setting aside funds for others to bid for?

MAS has an extremely broad and challenging remit. We recognise that it is difficult for MAS to be both a universal service and one that changes behaviour when different groups of people have different needs.

In order to more effectively reach broader groups, especially those most in need of consumer financial education, Age UK would welcome a more collaborative partnership model working through third parties. MAS should assess gaps in financial capability provision, and fill these gaps either directly where it has expertise or by funding specialist partners to deliver to particular groups it cannot reach. MAS could then ensure consistency of evaluation, focus on projects with the potential for long term embedding and sustainability, as well as demonstrate a genuine commitment to improving the financial capability of people across the UK. We support the delivery of financial capability initiatives through strong partnerships which could involve: seed funding, grant funding, piloting grass roots interventions etc. to more effectively inform, educate and advise people, at a localised and personalised level. This approach could also avoid duplication of services whilst maintaining a central commissioning body.

As one example of partnership working, Age UK has partnered with StepChange debt advice charity to develop a bespoke referral system for older people needing debt advice. Tackling debt is an increasingly important issue for older people, and this partnership provides immediate access to a source of source of specialist debt advice for people in later life. Nearly 2.8 million people (13 per cent) aged 50+ say they are finding it difficult to manage financially and we know that although the numbers of people over the age of 60 with debts is lower than in younger age groups, they tend to owe four times as much as those under 25. Older people who either contact our national Advice Line or one of a number of local Age UKs across England, can be referred to Step Change Debt Charity for help and support. Together we aim to help older people enjoy later life, free from the worry of debt. The driving force behind this project was an indication from local Age UKs that they needed support to provide debt advice.

Age UK and most other providers of consumer education are already subject to various quality standards, for example through the Advice Services Alliance and specific funding arrangements made with partners. Any sector wide accreditation model would need to be aligned with the current landscape, so it is not competing.

Q17: How should MAS be measuring its efficiency? For example, what benchmarks should MAS be using to determine its efficiency in its online, phone calls and face-to-face delivery?

We recommend that MAS assesses its efficiency against its statutory functions on an annual basis, and reports against this in its Annual Report.

We support a stronger focus on evaluating long and short term impact as well as reach. We welcome MAS' commitment to measuring customer impact by tracking positive actions taken by customers, e.g. 'I have a plan for my/our future care needs'. We look forward to seeing the longer term results of this. It ought to be applicable irrespective of age or life stage, and be incorporated into

MAS' KPIs which are focused on tracking reach. As a matter of course, the evaluation frameworks that MAS develops for the financial capability strategy also ought to be adopted by MAS itself and embedded into its own measures, for consistency and best practice.

We recommend that MAS measures the longer term impact of its interventions to assess what types of interventions are most effective for particular target groups. This should include an assessment of the most effective channels and engagement methods across all of MAS' services to ensure added value.

Q21: To what extent, if at all, should MAS devote resources to public policy issues such as the tax and benefits system?

The government is responsible for public policy issues such as the tax and benefits system, but those issues are also integral to good money management. It is entirely appropriate for MAS to devote some resource to ensuring that its content includes relevant information and advice on tax and benefits and signposts where appropriate. MAS should also be free to feed into to industry and Government policy work, based on its experience as a funder and deliverer of financial capability work – for example, highlighting areas that consumers find particularly hard to understand. However, it is not the role of MAS to promote policy changes on behalf of Government, as doing so could damage consumer views' of its independence.