



Consultation
Response

HM Treasury

Public Financial
Guidance Review:
proposal for consultation

June 2016

1. In this response, we provide a brief overview of a number of key issues which we believe should be central to the decisions made in the next stage of the review to inform policy decisions on the objectives, responsibilities, and activities of the new money guidance body, and its relationship with the new pensions guidance body.
2. We do not provide detailed answers to the questions in the consultation document. As the consultation suggests, we hope that HMT will seek to work with and build upon the expertise of the existing guidance organisations as it develops its proposals fully. We will share in-depth data, views, and analysis throughout this process on all of the issues addressed in the consultation document.

A strategic approach to financial capability

- *To improve current low levels of financial capability in the UK, strategic leadership and influence is needed to bring consistency and an evidence-led approach to the efforts of the hundreds of organisations that aim to help people manage their money.*
- *MAS has already begun to make significant progress, which should be built upon by the new money guidance body.*

3. Financial capability in the UK is persistently low.¹ People need to have a combination of knowledge, the right attitudes and motivations and access to appropriate financial advice and services in order to be financially capable. Without this they are unlikely to build any financial resilience which then puts them and their families at risk of financial problems. This creates a cost to them and to society as a whole. We cannot afford *not* to do something about it. Poor financial capability results in detriment to consumers, undermines the impact of broader government policy, and inhibits competition in the financial services market and the achievement of social justice.²
4. To achieve the social change required to improve financial capability, there needs to be a coherent and strategic approach to driving consistent, evidence-led, and high quality provision, not only that commissioned by the new money guidance body, but by the numerous public, private, and third sector organisations engaged in this issue.
5. The new money guidance body should be an organisation that influences others to do more and make better use of the resources that are deployed on financial capability initiatives. Money Advice Service has already begun to provide significant leadership across the financial capability sector, by leading the development of the UK Financial Capability Strategy. This is a 10 Year strategy

¹ Money Advice Service (2015), [Financial Capability in the UK 2015: Initial results from the 2015 Financial Capability Survey](#)

² See Money Advice Service (2015), [Response to Public Financial Guidance Review](#), pp5-9, 43-47

bringing together organisations from across the public, private, and third sectors to prioritise action, build the evidence base, and scale up effective interventions to deliver improved financial capability. In addition, MAS has:

- Generated comprehensive insights on levels of financial capability in the UK via the 2015 Financial Capability Survey³;
- Created and disseminated outcome frameworks for major life stage groups to spread best practice on establishing the aims of financial capability interventions;⁴
- Begun to fund major projects to find clear evidence of what works;⁵
- Created a comprehensive evaluation toolkit to drive the adoption of robust evidence practices among private, public, and third sector providers of financial capability interventions;⁶
- Started to increase the commitment of funders of financial capability interventions to evidence and evaluation via the development of IMPACT principles to which many major funders - including many of the UK's biggest financial institutions – are now signatories⁷; and
- Generated momentum and engagement in financial capability through establishing the Financial Capability Board and a series of strategy steering groups to drive delivery of the Financial Capability Strategy.⁸

6. MAS therefore believes that the new money guidance body should have a mandate to coordinate efforts beyond the scope of its own direct commissioning; to provide leadership and challenge to the wider sector, and to provide advice to the government and wider public sector on the changes necessary to increase financial capability and financial decisions. The new body should be empowered to determine the most effective way of delivering such a strategic role.

7. The nature of the financial capability and money guidance market place, where a multitude of organisations in the public, voluntary, and private sectors fund, make independent funding decisions, bears comparison with other public service sectors such as health, education, or local government, where the government has in recent years recognised the importance of evidence-based policy informed by a network of “What Works Centres”. In the last year, MAS has begun to deliver a similar function to the What Works Centres, and we believe there will be an ongoing need to support the development and dissemination of robust evidence in financial capability and money guidance for some years to come. Indeed, we would suggest that the new money guidance body should seek formal affiliation to the What Works Centre Network.

³ Money Advice Service (2015), [*Financial Capability in the UK 2015: Initial results from the 2015 Financial Capability Survey*](#)

⁴ <http://www.fincap.org.uk/outcome-framework>

⁵ http://www.fincap.org.uk/what_works_funding

⁶ <http://www.fincap.org.uk/evaluation-toolkit-homepage>

⁷ http://www.fincap.org.uk/document/VOR5ISYAACoI_g8g/the-money-advice-service-in-conjunction-with-the-uk-financial-capability-strategy-launches-impact-principles-and-evaluation-toolkit includes a list of current signatories

⁸ http://www.fincap.org.uk/about_the_board

8. The consultation notes that the aims of the new money guidance body are consistent with the government's forthcoming Life Chances Strategy. The financial capability strategy is totally consistent with and will contribute to the Life Chances agenda, and the strategy to underpin it.

Objectives and institutional arrangements

- *Striking the right balance between the new organisation's commissioning role and its role as a strategic influencer will be a key challenge.*
- *While seeking to ensure the new body's objectives are focused, government should ensure that it has sufficient scope to go beyond simply commissioning other organisations, while stopping short of direct guidance provision.*
- *The new money guidance body should have a clear remit to work with other organisations to develop the evidence base on what works, and drive improvements in the quality and consistency of provision, including in financial education for children.*
- *The "gaps" which the new money guidance body seeks to fill may be gaps in quality and visibility, as well as provision.*

9. The outline objectives for the new money guidance body proposed in the government's consultation emphasise the gap filling and commissioning role of the new body. The consultation proposes that the new money guidance body "will be charged with improving financial capability in the UK" and suggests that the body will be expected to "set measurable objectives for raising financial capability", but does not propose to incorporate this task in to the objectives of the organisation.
10. We believe what is needed in the objectives is a clear articulation of the importance of the new organisation working *with* other organisations: providing leadership, insight, strategic influence, and focus, as well as funding to achieve continuous improvement in the quality, effectiveness, and efficiency of efforts to assist consumers to make effective financial decisions. The financial capability problem – which incorporates many of the root causes of problem debt and the need for money guidance – is not likely to be solved by the efforts of a single government organisation providing limited funding to commission services. A truly effective effort to improve financial capability requires a strategic approach.
11. A key consideration in developing the remit and operational model for the new money guidance organisation will be the appropriate balance between, on the one hand, commissioning interventions or services, and on the other, influencing the quality and consistency of provision across the money guidance, financial capability, and debt advice sectors. This is reflected in our debt advice role. Our statutory role requires us to increase the quality and consistency of debt advice services in addition to simply funding services. We believe there is scope to take a similar approach with financial capability and money guidance.
12. The government's response to the first consultation says it agrees that financial education is an important part of the new body's role, and that it will be able to fund projects for all ages. But that is different to providing strategic

leadership and coordination of financial education in schools. We believe this should be a core component of the new organisation's role.

13. We believe careful consideration must be given to *the nature* of the gaps the new organisation exists to fill. The mere existence of a service, or information, does not mean a gap has been filled. Our analysis following the final report of the Farnish Review led us to identify a number of gaps in the provision, in the wider market, of *suitable* guidance which focused on key financial behaviours, and that was likely to *engage* those consumer segments most in need of such guidance.⁹ The new money guidance body will need to give thought not only to gaps where information or services do not exist, but where they do exist, commissioning may be needed to fill gaps in effectiveness and gaps in reach, which will vary according to whether the information or services are actively sought by consumers or should be proactively presented to targeted groups.
14. For example: there is a healthy market in the provision of (free) guidance and information on financial matters, and motivated consumers are able to find answers to most financial questions. But MAS's analysis following the Farnish Review suggested that the principal challenges lie in *engaging* those consumers who are not actively looking for guidance, and *presenting* guidance in such a way to ensure that consumers consider the broader implications of a discrete financial decision. The new organisation will need to be able to make a range of judgements on how funds can effectively be invested to ensure the right mix of guidance, delivered in a range of accessible and engaging formats that reflect the relative importance of individual issues and the broad economic value of improved decisions.
15. When considering the commissioning role of the new money guidance body, and the government's suggestion of a focus on "local" and digital interventions, the appropriate focus for the *types* of intervention the new body commissions should turn on a better understanding of the evidence on what type of interventions are effective, rather than an *ex ante* determination of preferred delivery channels. The types of intervention the new money guidance body commissions should flow from a thorough analysis of the evidence on how to inform consumer behaviour, and of the objectives of the body and existing provision in those areas which are identified by the new body as priorities.

Relationship with the new pensions guidance body

- *Careful consideration needs to be given to how to achieve effective cooperation between the two new bodies, especially in light of the increasing overlap between pensions, general money guidance, and debt advice.*
- *Co-commissioning of some services may be an important route to achieving the necessary coordination.*

⁹ For a short summary of these findings, see MAS (2015), [Consultation on the Money Advice Service's 2016-17 Business Plan](#), pp16-17

16. We welcome the recognition in the government’s consultation of the importance of effective coordination between the two new bodies. The task of creating two new guidance organisations presents a significant risk of inadvertently creating disconnects which deliver detriment to consumers. Efforts to ensure that the strategies of the two organisations are aligned, and that “warm hand-offs” are in place to ensure a smooth customer journey, are important, but may prove insufficient. There may be significant limits to the ability of the new organisations to ensure a coherent and smooth customer journey through contractual or grant agreement mechanisms. Serious consideration will need to be given to how the increasing overlap between pensions decisions, general money guidance decisions, and debt advice decisions, can be accommodated within the new landscape. In particular thought needs to be given to whether the new pensions body handles all retirement and long term savings issues. For example does it proactively encourage younger people to save for retirement, does it help with decisions on how to save e.g. LISA or pension or property and post retirement does it provide help with understanding how to pay for care costs.
17. It is therefore imperative that Government carefully consider how the aims and operations of the two new bodies can be coordinated with maximum effect, as well as how a partnership agreement is best constructed. Co-location, shared back-office and insight services, and potentially jointly-commissioned delivery, could be key to achieving this level of coordination and could deliver highly desirable efficiencies.

Consumer research and insight

- *The ability to commission and analyse original and impartial research is a key function for an effective commissioning organisation, especially one where the evidence base is currently underdeveloped and where a competitive funding environment may militate against the supply of consistently reliable research from delivery organisations.*
- *A comprehensive understanding of consumer financial behaviour and preferences is necessary to build the evidence base on what works to increase financial capability – this requires a strong research and insight capability.*
- *Effective evaluation of funded projects is essential to secure value for money and continuous improvement.*

18. The ability of the new money guidance organisation to deliver its objectives – whether to identify gaps in service provision and commission services to fill those gaps, or taking a strategic overview of what other organisations provide - cannot be accomplished without dynamic and robust evidence and insight on consumer financial attitudes, motivations, and behaviours. In our response to the review’s first consultation, we set out why an independent, central entity is required to ensure that services are delivered in the most appropriate way. This principle extends to research and insight to inform commissioning and wider sector practice. We agree that the new body should not duplicate research activity undertaken by other organisations and in fact we work closely with many organisations that commission research to ensure that our work adds value.

However, to assess gaps and how to fill them, you need the whole picture, and it is unlikely the new guidance body would be able to ensure its commissioning is both targeted and cost effective if its only sources of research are produced by other delivery bodies, which will often focus on their target audience and particular services.

19. The new body will need research which accurately reflects the current status of consumer perceptions and behaviour, in a form that can be easily interrogated and communicated. In its debt advice work, MAS has measured the level of over-indebtedness via surveys and then modelled the propensity for over-indebtedness at the individual level so that accurate local area estimates can be produced. This can then be matched against current supply in order to identify areas of under-provision and ensure that funding is optimised across the country. Our experience of co-ordinating funding in the debt advice sector reinforces the importance of a clear conceptual framework to measure change underpinned by consistent data collection.
20. MAS has commissioned and published a series of influential research projects which have had widespread application both in the development of MAS's own approach to financial capability and money guidance and debt advice, and in the approach of partner organisations. Our 2013 Habit Formation and Learning in Young Children report which identified that most money habits were in place by seven is cited by many funders as their rationale for moving into primary school age delivery.¹⁰ The 2015 Financial Capability Survey has established a new baseline against which to measure progress, while our consumer segmentation provides all organisations with an interest in consumer financial matters with a tool to help target interventions and understand the characteristics of the consumers they seek to help.¹¹

Fig1. MAS resources and services to build evidence on impact.



Source: MAS, 2016

¹⁰ MAS (2013), [Habit Formation and Learning in Young Children](#)

¹¹ MAS (2016), [Market Segmentation: an overview](#)

21. In line with the importance of building the evidence base on effective interventions, MAS is currently actively supporting efforts to increase the consistency and quality of evaluation and evidence practice in the financial capability sector, having developed a range of products and initiatives which directly support the spread of evidence-based practice. Figure 1 shows how some of these initiatives contribute to the objective of improved financial capability. We are already beginning to see these resources being used and implemented by delivery bodies and forming an increasingly important part of organisations' funding bids and strategies. We believe that the new money guidance organisation must continue to support such developments, both through its approach to commissioning and funding, and through performing a sector-leading insight and evidence role.

Financial education

- *An explicit remit to influence and coordinate provision of financial education for children and young people, including in school, should be core to the new money guidance body's purpose.*
- *Provision of financial education by the public, private, and third sectors is currently patchy, inconsistent, and rarely supported by robust evidence of impact. MAS has begun to address this but ongoing support for schools and funders of financial education is essential.*

22. The government's consultation is clear that the new money guidance body will be able to commission interventions for all age groups, including children and young people. We believe this is a vital component of any organisation which aims to deliver sustained improvements in financial capability. Good financial education in schools provides the opportunity to transform the next generation's ability to manage their money well. Adult attitudes to money are shaped during childhood, while good numeracy skills, and learning how to budget, save and understand bills are the life skills sixth form students need to know. The economic returns to improved financial capability are likely to be greatest where the whole of an individual's financial life lies ahead.

23. We believe that the new money guidance body should have not only the ability to commission such interventions, but an explicit duty to provide leadership and coordination in efforts to improve the financial capability of children and young people as recommended by the All Party Parliamentary Group on Financial Education for Young People:

HM Treasury should ensure that the proposed new money guidance body – to replace the Money Advice Service – has a remit to coordinate, signpost and identify best practice of financial education. This should

*include developing an online portal of financial education products offered by external providers.*¹²

We believe the Treasury should work with the Department for Education to establish the parameters of this role in advance of legislating for the creation of the new money guidance body.

24. In 2015, following a recommendation from the Farnish Review, MAS took on responsibility for coordinating financial education in schools, which was widely welcomed by a wide range of third sector organisations, banks, and other financial services firms.

25. In current provision of financial education for children and young people, there are many areas of duplication, many children not being served by any financial education, and limited evaluation and understanding of what works. 90% of financial services industry-funded programmes did not evaluate the behavioural impact of their programme¹³. So we have developed a shared measurement approach which enables interventions aimed at 4-18 year olds to be evaluated across 15 outcomes, based on their developmental age and the money decisions they are likely to encounter. There are similar tools to measure the impact of parental and teacher interventions.

26. MAS has begun to bring greater coherence to financial education and ensure that the many millions of pounds per annum¹⁴ spent by private sector institutions on financial education delivers much greater value for money. We are conducting comprehensive mapping of UK delivery to provide advice to funders and commissioners on what is being delivered, where, to whom, how it is funded and how it is evaluated. We are conducting the first nationwide survey of 4-17 year olds and their parents. This will provide the first baseline of child and youth financial capability in the UK, significant evidence on the relationship between parental behaviour and child capability, and the ability to compare across different nations.

27. Though there is widespread agreement that children and young people receiving financial education is desirable, the reality is that parents and teachers are time poor and there are many competing demands. We are delivering two key pilots to identify accessible ways to deliver financial education that has an impact beyond child financial capability. MAS is funding important work in partnership with the Education Endowment Foundation to establish how financial education aids attainment in GCSE Maths, and with Big Lottery Wales to demonstrate the impact of financial content in parenting interventions on children's and parents' financial capability.¹⁵

¹² All Party Parliamentary Group on Financial Education for Young People (2016), [Financial Education in Schools: Two Years On – Job Done?](#), p41.

¹³ Unpublished MAS analysis, 2015.

¹⁴ CI Research (2012): [Impact Review of Financial Education for Young People](#),

¹⁵ MAS (2015) Press Release: [Money Advice Service and Big Lottery Fund announce new parenting project to equip children with life-long money management skills](#); EEF/Young Enterprise [Maths in Context project summary](#)

28. The government should make clear that the new organisation will have a clear mandate to increase quality, effectiveness, and value for money in financial education in schools and for children and young people outside of school settings, working in partnership with DfE, the devolved nations, and others. Though financial education is now on the curriculum throughout the UK, provision is patchy and inconsistent (and around half of all schools are not, in any case, required to follow the National Curriculum). No other organisation takes a close coordinating interest in this issue. There is widespread support from stakeholders for this function to continue, following recognition that getting financial education on to the secondary curriculum is not sufficient to achieve the change required.

Driving continuous improvement in debt advice outcomes

- *Continuous improvement in the quality, consistency, and value for money derived from publicly-funded debt advice should be an important aim for the new money guidance body. Effective monitoring and quality frameworks are essential to delivering such improvement, and require the ability to work with delivery bodies to get the best from every pound of public funding.*
- *Limiting funding and coordination activities to FCA-authorized providers is unlikely to capture a sufficient range of providers.*
- *The new money guidance body should seek to address the challenges of working in an established sector by working with the sector as a whole irrespective of funding relationships. This collaborative working should include sharing intelligence to improve understanding of the nature of problem debt, and complementing work plans enable organisations to plan their services accordingly.*

29. MAS has transformed the quality, consistency, and value for money achieved from publicly-funded debt advice. Since we took on this responsibility in April 2012 the productivity of MAS funding for debt advice in England and Wales has increased by 176%¹⁶. Our response to the first public financial guidance consultation provides further detail on the recent history of MAS's role in debt advice.¹⁷
30. It is vital that the new money guidance body should be able to continue to pursue continuous improvement to drive up quality and consistency across the entire debt advice sector. It should do so by working *with* organisations across the debt advice sector, including with those local authority and housing association providers who are not subject to FCA authorisation and supervision, and who make up a growing share of debt advice provision across the UK. Moreover,

¹⁶ MAS analysis based on clients helped per £100 of MAS funding in England and Wales, in 2012 and year to March 2016.

¹⁷ MAS (2015) [Response to Review of Public Financial Guidance consultation](#), pp20-22

even among those organisations which sit within the FCA consumer credit regime, most not-for-profit providers have been “grandfathered” in and will be subject to a “flexible” supervision regime. This will inevitably mean that despite undertaking activities the FCA deem to be high risk regulatory scrutiny is unlikely to be focussed on this sector in the medium term. It is therefore essential that there remain robust measures to drive quality and consistency to ensure good client outcomes.

31. In collaboration with its partners in the sector, MAS has developed a range of tools and processes to increase the consistency and quality of debt advice, including an accreditation scheme for existing quality standards, and for training and qualifications in use across the sector which establish clearly-defined knowledge requirements for advisers. These measures, combined with a Peer Review scheme to assess the accuracy of advice delivered to clients, are the basis for a continuous improvement cycle which should continue. While there is scope to consider how delivery organisations can be more effectively included in establishing commissioning needs and delivery models, MAS considers it essential that the new body should have the ability to drive innovation, efficiency, and quality in the debt advice it funds, and with impacts on the wider sector.
32. For those services that the new body commissions, it is vital that there is an effective and robust monitoring regime to ensure that value is being obtained for public funds, and continuous improvement in outcomes is being achieved. The evaluation framework for debt advice services developed by MAS and used by a wide range of debt advice agencies – not only those funded by MAS – offers a sound basis for further development. Our response to the first public financial guidance consultation provides further detail on the role of an effective quality framework for debt advice.¹⁸
33. We believe that the new money guidance body continues to work with the debt advice sector to utilise the deep pool of knowledge and expertise to ensure it is planning work which adds value to the sector. Leading work with the sector would mean that the new body remains in a position to have sight of, and provide challenge to, any issues which are not working towards effective debt advice outcomes. To that end, MAS has established useful structures such as the Debt Advice Steering Group (DASG) and the Debt Advice Operational Group (DAOG) made up of key stakeholders who work towards driving improvements in the sector as a whole and provide intelligence which helps us shape our workplans.

Conclusion

34. Careful consideration and successful resolution of the issues discussed above will form the bedrock of a new money guidance organisation which is well placed to ensure the supply of valuable, high quality guidance, debt advice, and financial capability interventions that deliver benefits for consumers, firms, and the economy at large. Getting the objectives and the capabilities of the new body

¹⁸ MAS (2015) [Response to Review of Public Financial Guidance consultation](#), pp36-38

right is key, as is ensuring that the relationship between the two new organisations takes full account of the ever more complex needs of consumers at every stage of life. We look forward to working with HM Treasury and DWP to ensure that the new organisations are set up to succeed.

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