



Minutes from Financial Health Forum

13 January, Chartered Insurance Institute, 09.30-12.00

Attendees

Anne Bell, Department for Work and Pensions
Chris Pond, Financial Services Authority
Clive Cowdery, Resolution Foundation (Chair)
Danielle Walker- Palmour, Friends Provident
Francis McGee, AEGON UK
Eric Leenders, British Bankers' Association
Joanna Elson, Money Advice Trust
Laura Tough, UK Retail Banking
Laurence Baxter, Chartered Insurance Institute
Liz Barclay, Independent Consultant
Louisa Darian, Resolution Foundation
Lucian Camp, Lucian Camp Consulting
Nick Lord, Financial Services Consumer Panel
Peter Jolly, Association of British Insurers
Shareen Meehan, Resolution Foundation
Sophia Parker, Resolution Foundation
Sue Lewis, Her Majesty's Treasury
Victoria Nye, Investment Management Association

Apologies

Brian Pomeroy, Financial Inclusion Taskforce
Colin Kinloch, Financial Services Authority
Lee Savage, Resolution Foundation
Mark Lyonette, Association of British Credit Unions Limited
Sue Regan, Resolution Foundation
Wendy van der Hende, Personal Finance Education Group

Summary

- A summary of key developments was presented on the economic context, financial inclusion, capability and financial services and the Financial Services Bill.
- Chris Pond presented an update on Money Guidance:
 - The pathfinder period is 12 months and is currently on track to meet its targets.
 - The highest proportion of take up has been by people in the most vulnerable category: Face to face (70%), telephone sessions (55%), and online activity (47%).

- The key question areas have been budgeting, credit and borrowing, mortgages, pensions and retirement, protection/insurance, savings and investments, social security and tax credits and general tax.
- Findings from the qualitative research show that, overall, the service achieved a 'satisfactory' rating with individuals taking further supportive action.
- It is expected that roll out of the telephone service will begin in spring 2010, and the face to face service will be phased in later in the year.
- The Consumers Financial Education Body (CFEB) will go live in the spring and will be made up of the Financial Capability division of the FSA plus a small increase in headcount.
- Chris urged the forum to support them by registering interest in procurement and keeping pressure on the CFEB to focus on the most vulnerable consumers.
- The Foundation's plans for a Financial Health Index were presented. This will:
 - Provide an annual account of the financial health of UK individuals or households as a whole.
 - Be delivered annually in the third or fourth quarter of each year and will be accompanied by a thorough analysis of the data for publication by the Foundation.
 - As well as a composite financial health indicator, the report will include a number of individual indicators that will demonstrate change over time in separate aspects of financial health and capability.
 - The Foundation will engage in follow-up discussions on the proposed indicators with interested members.
- It was agreed that the next meeting would take place in June following the election. At this meeting :
 - Resolution Foundation will provide a review of key general election manifesto policies that will impact on financial health.
 - Chris Pond has agreed to come back to update on Money Guidance.
 - The Foundation will update on progress with the Financial Health Index.
 - The Foundation will explore getting the new Consumer Advocate along to discuss activism and its impact on financial health.

Minutes of the Meeting

Welcome and Introduction

Clive Cowdery, Chair of the Financial Health Forum, welcomed everyone to the first Financial Health Forum of 2010. Clive gave an introduction to the Forum, including an overview of its function and importance.

Activity Update

Louisa Darian, the Forum's coordinator, provided an overview of the current economic context and an update of key developments in the areas of financial inclusion, financial capability and the financial services. Members were asked to contribute, providing information on work taking place in

their organisations as well as updates on their sector as a whole. The following points were made during the discussion:

- Anne Bell, from the Department for Work and Pensions, clarified that auto-enrolment has not been delayed but the implementation period has been extended.
- A social investment bank is being set up using dormant bank accounts. This will capitalise third sector lending and will include funding for credit unions and CDFIs. It will not replace the social fund.
- The Centre for Responsible Credit was launched with the support of the Centre for Economic and Social Inclusion. This will look at high and low end credit.
- The announcement by Ed Balls that personal finance education is to be made compulsory in schools is now legislation and will become part of the national curriculum.
- Forum members discussed the banning of logbook loans. There were concerns as to what will replace this as it will create a hole in the market.
- Virgin has moved into retail banking. The challenges will be to see if they can get into the mass market in a commercially sustainable way.
- BIS consultation on the Post Office puts forward a number of proposals for new financial products that the Post Office could offer. The existing Post Office Card Account is very limited and a new current account could be helpful in tackling financial exclusion.

Louisa's [full presentation](#) is available online

Money Guidance update- Chris Pond, Financial Services Authority

Chris Pond gave an introduction and background to the Moneymadeclear pathfinder. Chris highlighted that the pathfinder is impartial, supportive, preventative, universal and sales and jargon free. Chris then explained the results of the pathfinder's early evaluation.

Early evaluation results

The pathfinder period is 12 months and it is currently on track to meet its targets. The highest proportion of take up has been by people in the most vulnerable category: Face to face (70%), telephone sessions (55%), and online activity (47%). The key question areas have been budgeting, credit and borrowing, mortgages, pensions and retirement, protection/insurance, savings and investments, social security and tax credits and general tax.

The question areas often vary with the channel of contact. Face to face receives a high proportion of budgeting and tax credits queries, whereas online is often used for savings and investments advice. The telephone service has taken off more slowly than the other channels but traffic is now increasing and it will continue as a supporting service to the other channels. The evaluation has also shown that people are using multiple channels. For example, the online service has been valuable for giving people confidence and often leads to them following up with the phone service. Therefore, in addition to ensuring each of the channels works individually there is a need to ensure that they work well together.

Findings from the qualitative research show that, overall, the service achieved a 'satisfactory' rating with individuals taking further supportive action. However, a number of people were prepared to

recommend the service to others but not satisfied with the service for their own use. Forum members thought that this could be because people may find it hard accepting or talking about their own financial problems.

Forum members discussed how advice was given. The Money Advice Trust are moving towards offering more directional advice by asking clients 'would you like me to tell you what I would do if I was in your shoes?'

Plans for national rollout

There is general cross party support for national roll out and the education body. In terms of the legislation, there have been a couple of probing amendments but nothing which seeks to dilute the service in any way. It is expected that roll out of the telephone service will begin in spring 2010, and the face to face service will be phased in later in the year.

Forum members discussed overlaps with debt advice services. Chris responded that the boundary is difficult to define but, as this is a preventative service, people with debt issues will be passed on to a more specialist debt advice centre. Forum members thought that the provision of holistic generic and debt advice would be a good direction to move towards in the future. They also pointed out that individuals shop around for advice. It will be useful for the FSA to consider where individuals go for advice and what actions they take.

To try and control costs as much as possible it is important to ensure that people are making enough use of the online service when they can. Forum members stressed the need for careful marketing to ensure that it is clear who the service is targeted at to reduce overburdening the service.

There has been some break down of users by demographics. This found that older groups are more likely to use the phone, while younger groups will use the web. The people that have the greatest need for the service are least likely to access the web.

Forum members also pointed out that the FSA should talk to industry to learn from their experience of providing telephone advice and to ensure that they are acting as a point of referral. The industry can also help identify people on basic bank accounts who might need to access the service.

Consumer Financial Education Body (CFEB)

The CFEB will go live in the spring and will have three priorities; a consumer focus, reaching the disengaged and keeping industry on board. It will be made up of the Financial Capability division of the FSA plus a small increase in headcount. The partnership model of the pathfinder means there is no need for a large number of internal staff. FSA budget will fund it until 2012 after which integrated budgets will start. There will need to be a cultural shift as FSA staff move to a customer facing role. The Financial Capability team will have a wider remit than just Money Guidance and this body has the opportunity to become a centre of expertise for financial capability and inclusion.

Funding of the body was discussed. Previously there was more support for industry funding, but all political parties seem to be pulling away from this idea. A 3% tax on industry marketing costs would meet the funding issue and could be justified on the basis that, in making their message, companies must take responsibility for some of the confusion they create.

How can the Financial Health Forum help?

Chris identified a number of ways in which forum members could help, including:

- Registering interest in procurement.
- Keeping pressure on the CFEB to focus on the most vulnerable consumers. The face to face service is vital for the most vulnerable groups but there is a risk that, as cost pressures increase, the focus will shift away from this service and towards the less expensive channels.
- He urged the Financial Health Forum to keep going as it is a useful forum for the FSA to be part of.

Forum members also discussed developments in Europe around Packaged Retail Investment Products. This could have implications for the way that financial advice is regulated.

The [presentation](#) is available online.

Financial Health Index – Sophia Parker, Resolution Foundation

Sophia Parker provided an overview of the financial health index, explaining the purpose of the index, a description of the indicators and the form of output. The Foundation is also conducting some qualitative research to understand some of the complex behaviours underpinning the management of household finances.

Discussion

Members discussed the purpose of the index. Sophia pointed out that it will provide a fixed way of seeing if people are in more or less control of their finances and how this changes over time. It will also provide a useful neutral metric that the media can use and will be able to explore the impact of certain events, including peaks in the housing market, changes in the availability of credit and the savings gap.

There was a plea for the Foundation to meet with journalists so that they understand the index and know how to use it. A lack of understanding of financial health has hampered the debate.

The proposed indicators were discussed. Some suggestions were made for change including:

- An indicator on seeking advice should be revised to seeking advice and acting upon it
- An indicator on access to affordable credit is quite a middle class indicator and could make the majority look vulnerable. On the other hand it could also mean a correct reflection of poor financial health.
- The index should capture whether people are capable and healthy, for example people may be asset rich but cash poor.

- Forum members also suggested looking at the Genworth Index of financial vulnerability as a useful index that is international and segments the populations into how vulnerable they feel year on year.

It was agreed that there were a number of follow up discussions to be had following the meeting with interested parties. The Department for Work and Pensions, Financial Services Authority, Association of British Insurers and UK Retail Banking provided offers of assistance and Sophia/Lee will follow up with them.

[Full presentation](#) available online

Next meeting- June

It was agreed that the next meeting should be in June instead of May to allow the dust to settle following the election. Issues to be discussed include:

- An election update and overview of party announcements effecting financial health.
- A progress update on money Guidance from Chris Pond.
- A progress update on the Financial Health Index.
- A discussion on the rise of consumer activism. The Foundation will explore getting the new Consumer Advocate along to present.

Clive thanked everyone for their time and for generating such a valuable discussion.