

**Financial Health Forum  
One Great George Street  
14 May 2009**

**Attended**

Anna Deibel-Jung, HM Treasury  
Brian Pomeroy, Financial Inclusion Taskforce  
Cara Brown, Resolution Foundation  
Clive Cowdery, Resolution Foundation  
Colin Kinloch, Financial Services Authority  
Danielle Walker-Palmour, Friends Provident Foundation  
David Thomson, Chartered Insurance Institute  
Eric Leenders, British Bankers Association  
Gillian Watson, Department for Work and Pensions  
Helen Aynsley, Resolution Foundation  
Laura Tough, Barclays  
Liz Barclay, Independent Consultant  
Mark Lyonette, Association of British Credit Unions Ltd.  
Sue Lewis, HM Treasury  
Sue Regan, Resolution Foundation  
Susan McLaren, Department for Work and Pensions  
Ted Hart, AEGON UK  
Teresa Perchard, Citizens Advice  
Victoria Nye, Investment Management Association  
Wendy van den Hende, Personal Finance Education Group

**Apologies**

Adam Philips, Financial Services Consumer Panel  
Faith Reynolds, Toynbee Hall  
Joanna Elson, Money Advice Trust  
Michael Coogan, Council of Mortgage Lenders  
Stephen Hadrill, Association of British Insurers

**Summary**

- New members were welcomed and an overview of the Financial Health Forum's work was given.
- The activity update led to the following key points:
  - The issue of trust in financial services needs further exploration.
  - The relationship between debt, credit, advice and the range of initiatives to help people with housing problems in the current economic context would be a useful theme for the Forum to explore.

- The presentations on Pensions and Money made clear illustrated that:
  - The scale of the challenge in communicating the different elements of the pension reform package was huge and would require a major and complex communications exercise.
  - A key challenge for Money made clear was to demonstrate its impact during a period of severe public expenditure constraint.
- It was agreed that
  - a. The Resolution Foundation will gather research and evidence relating to trust in financial services to present at the next Forum meeting.
  - b. A key topic for the next meeting will be financial education, in recognition that it is important to keep a focus on preventative activity even during periods when the pressures on remedial and crisis activity are acute. Wendy Van den Hende agreed to present an overview at the next meeting.
  - c. The other key topic for the next meeting will be housing, specifically, the impact of the economic context (for example on debts, repossessions, availability of credit) and the effectiveness of existing support and recent initiatives. Helen Aynsley will discuss with Teresa Perchard and secure involvement of Shelter and CML.

## **Minutes of meeting**

### **Welcome and introduction**

Chair of the Financial Health Forum, Clive Cowdery invited everyone to the third meeting of the Forum. For first time attendees, he offered a brief overview of why the Forum was set up and its objectives. Clive said that the Forum offers a means of overseeing all the initiatives in financial inclusion and capability, together with developments in financial services. The Forum also addresses where there are gaps, where further work or resources are required or where a change of policy is needed. He said the Forum was launched during a difficult economic climate which has influenced the areas requiring deeper examination.

Clive recapped on the role of the Foundation as facilitator and Chair of the Forum, but emphasised that the group's work was very much governed by its members. He also said the Forum meetings are split in two. Part one offers a financial health activity update; part two explores specific issues in depth.

### **Recap on January's meeting – debt, credit and advice**

Sue Regan gave an overview of the January meeting on access to credit and debt advice. Since that meeting, the Foundation has undertaken some polling illustrating that the relationship between consumers and financial services might be changing:

- In 2007, 45% of respondents said that they would go to a bank or building society for financial advice compared to only 29% today.
- In 2007, 32% of respondents said that they would use an Independent Financial Adviser (IFA) as a source of advice compared to only 20% today.
- Today, 45% of people still rely on friends and family for their financial advice (a similar figure to two years ago) rather than trained financial advisers.

Danielle Walker-Palmour, Friends Provident Foundation, also offered an update on their research on debt advice. A copy of the summary was circulated at the meeting. The research had built up a picture of overall spending on debt advice in order to think strategically about where the gaps lie. She said debt advice is largely publicly funded by a range of sources in an uncoordinated way. The research also looked at the demand side and estimated the cost of meeting demand. Danielle said that public funding would not be able to grow to meet demand and that, therefore, other options needed to be examined, including scope for the financial services industry to contribute more and for fee charging. It is also important to look at the objectives of funders, and the different delivery channels required.

The point was made that the financial services industry spent £1.4 billion on advertising in 2007, and that the money needed to contribute to debt advice or money guidance is minor in comparison.

### **Activity update**

The Forums' Co-ordinator, Helen Aynsley, presented slides on the current economic situation and key developments of the last three months in the areas of financial inclusion, financial capability and financial services. At relevant points in the presentation, members were asked to contribute to the presentation, providing information on initiatives taking place at their organisation and updates on their sector as a whole.

The full presentation is available online.

### *Discussion*

In relation to availability of credit, one member said that quantitative easing was not working and that much of the money was sitting on bank balance sheets in reserve. It was not a problem of capital constraints but there had only been a small increase in small business lending and consumer lending which was flat - the main problem is on the demand side not supply side.

The Consumer Finance Forum is helping BERR with the consumer white paper, which will look at a range of issues including debt advice and the longer-term retail credit environment.

The Forum discussed the point that sustained funding is imperative to allow projects to have a real impact and it's important not to rely on short-term or quick fixes. The example of financial education in schools was offered as an example of where long-term investment and commitment to create informed consumers of the future was imperative.

The concept of a Financial Health Service, modelled on the NHS and developed by the Resolution Foundation, was put forward as a means of joining up all the initiatives and highlighting where funding should be allocated. Under a Financial Health Service there are three sectors:

- The preventative (e.g. your 5 a day or financial education)

- The primary (e.g. your GP or Moneymadeclear money guidance)
- The remedial (e.g. A&E or debt advice or other crisis initiatives)

If funding was agreed for the entire service it could then be allocated accordingly and re-allocated, with a long-term goal of moving towards the preventative. This could be a shared cost between the government and the financial services industry.

A number of further points were made in discussion:

- Local authorities play a crucial role in the financial health landscape and their differing role can lead to a postcode lottery in the availability of financial health services.
- Citizens Advice Bureau, Shelter, AdviceUK and the Money Advice Trust are publishing a report on the impact of the recession on housing, looking at the various initiatives including the mortgage rescue scheme. This includes a survey which will be repeated again in July to track change in time.
- Financial inclusion and credit scoring/credit referencing can sometimes be unfair and hamper people trying to improve their financial health.
- The move towards a cash economy to help budget and the development of pay as you go cards like the one being trialled by Boots are interesting developments.

Clive Cowdery also fed back on the social charter. This was an idea that emerged after discussion at the first Financial Health Forum meeting and led to Clive writing to the Chancellor to request that a commitment of £50m be given to advice agencies in return for the government's bank bail-out. To date:

- £37bn of tax payers money has been invested in the banks
- Budget announced that Lloyd's is committing £4m to support financial capability through adult education
- NatWest and RBS committing £3bn extra funding for SME's
- Financial Capability Clause: "Support for schemes to help people struggling with mortgage payments to stay in their homes, and to support the expansion of financial capability initiatives"

It was pointed out that there has been significant investment by the government in debt advice over the last year.

## **Pensions reform – Susan McLaren, Department for Work and Pensions**

The full presentation is available online.

Susan set out the scale of the challenge in communicating the different elements of the reform package. She said that the reform of the state pension is being publicised over the next year - there is a complex message to convey about changes to the state system being more generous whilst encouraging savings into private pensions.

There are also important messages about the benefits of working longer. DWP has started telling women about state pension age equalisation.

Susan then went on to explain that from 2012, 9-11 million people will be auto-enrolled in a work place pension scheme. There was an issue of the preferred source of information, with one survey suggesting that for 12% the first port of call would preferably be government to provide the information, for 16% it would be employers and for 67% it would be an independent source. Susan said the DWP were working to ensure that different people could access the information they required from different sources and with different levels of detail. She pointed out that the policy of auto-enrolment had been advocated by the Turner Commission precisely because of the limitations of information alone in encouraging people to save. The idea is to turn the power of inertia in favour of saving. The task, then, is to provide information for people when and how they want it, explaining the pros and cons of saving or opting out.

Susan said the burden on employers would be minimised: all employers would have to do was tell an employee they had been enrolled into a scheme, that they could opt out and where they should go for further information. DWP was currently exploring what this reference point should be.

Susan pointed to the fact that there are already a plethora of information providers and advice agencies that people trust and would turn to so it was crucial to engage with these and manage the landscape. She said shared language and terminology would be crucial to help link-up people's understanding; for example to ensure that you didn't have one source of information referring to an 'annuity' and another referring to 'decumulation'.

Susan said the two big challenges ahead were:

- A major publicity campaign
- Simplifying the picture – coherence of information and delivery channels, work with information providers.

### *Discussion*

The issue of the current economic climate was raised as a potential obstacle in persuading people to save in an equity-based product from 2012. Susan reminded the meeting that pension reform was a long-term measure, and pensions were long-term savings products. Both were designed to carry on through the inevitable movements in the economy.

There was a discussion around the 'grey area' where you couldn't be sure that investing in a pension would make someone better off in retirement. Susan said that it is difficult to define the grey zone as the situation for every individual is unpredictable. The tax and benefit system is not frozen but fluid and will change as government and the economic context change. It could be suggested that it would, therefore, be irresponsible to say to someone to opt out and rely on means-tested benefits when you can't guarantee pension credit will still be in place by the time they retire. It could even be withdrawn when someone was in retirement. One member added that you couldn't write someone off at the age of 20 and say they won't be better off with saving when their circumstances are likely to change. Obviously, the

closer a person is to retirement, the more predictable their circumstances, and whether they are entitled to means-tested benefits (for example, if they had a broken work record and lived in rented accommodation).

The issue of risk was highlighted and the fact that ultimately it was a question of personal responsibility and it had to be down to the individual to decide to take on the risk of not saving. The importance of a public debate was highlighted so that people understood what they were enrolling in. However, the point was made that a complex debate could mean more people opting out.

One member pointed out that as one survey suggests, 67% of people want an independent source of information so why don't the Government just aim for this. Susan said that the government has a commitment to reach everyone so for the 12% who prefer the government most, there will have to be an option for them. Everyone's needs have to be considered.

One member asked if there were figures for expected demand for information and advice. Susan said that due to the large numbers enrolling in 2012 and that there is no exact model elsewhere, the level of demand is not known, though more work is being done to explore this.

Another person stressed the importance of the distinction between an employer and the workplace. Some people might like advice at work but that doesn't mean it has to be provided by the employer. It was suggested that there needs to be further work to drill down whether the 16% who favour information from their employer really mean in their workplace as advice could still be given by an independent provider.

Susan said DWP will provide information content that will include details like decision trees, illustrative calculators and phone calls etc not just leaflets.

Finally, she added that work on promoting long-term savings will begin this year to capture current demand.

### **Money Guidance – Sue Lewis, HM Treasury**

The full presentation is available online.

Sue offered an overview of how the Money Guidance Service got to where it is currently:

- January 2007 – Government made a long-term commitment to every UK adult to have access to generic financial advice, personalised but not regulated
- Government commissioned Otto Thoresen to investigate a national approach
- March 2008 Thoresen Review published, offering a blueprint for a Money Guidance Service
- Government accepted the need for pathfinders which rolled out in April this year in the North East and North West backed by £12 million from the FSA and HM Treasury.

The pathfinder encompasses phone, face-to-face and web based guidance based on a revamped and re-branded version of Moneymadeclear. There are 100 trained money guides in the North East and North West. There are also a huge number and variety of delivery partners.

Sue said that there are referrals into the service through trusted intermediaries:

- Job centre plus
- Sure start children's centres
- Housing associations
- Delivery partners

Moneymadeclear (MMC) can help so far and then some people may need to be referred on for specialist debt advice, pension's advice, tax etc.

The service has been publicised in a range of ways:

- Marketing
- TV NE
- Radio NW
- Local press
- Leaflet
- Online and search ad
- BME engagement

Sue said that it needs to be advertised as Government sponsored in order to show it can be trusted and that it isn't another financial service offering to sell something. In time they hope MMC will build its own identity, which is both trusted and distinct from the government and the financial services.

The plan is to test a range of different messages delivered via different media to see what works and what doesn't work so that they can refine it for the next wave of publicity. Sue explained that there are two more waves this year which will allow ongoing learning and refinement of the engagement approach.

Sue then turned to the evaluation and said that they will go back to everyone to see what people have or haven't done as a result of using the service, and monitor people at different stages.

Sue then turned to the pathfinder data and the story so far. The initial data is promising with the pathfinders on track to meet targets for month one. The most popular topics so far are budgeting in face-to-face interviews and savings on the phone. Sue said it's still very early days and they need to drill down further into the data in the coming months.

Finally, Sue said that the pathfinders will be rolled out nationally from 2010 as long as they know the pathfinders are progressing in a promising way. There needs to be primary legislation for the Government to commit the money needed to a national service. The Treasury is continuing to work with the FSA on funding and structures.

### *Discussion*

Members discussed the evaluation and how it is important to see what impact the service is having on people who have accessed it. It was suggested that, using the financial health analogy, it would be like people who visit the Dr when they first have a cold. The next time they would know how to treat it without visiting the Dr, but they would still go to the Dr if they sprained their ankle. It was thought that people will build up their financial capability over time and by interacting with the service. The importance of a thorough evaluation was stressed to see this confidence build and to see how people become increasingly able to deal with things themselves. It might also illustrate how people lose confidence if they don't interact with an adviser for a period of time. The possible multitude of outcomes again enforces the need for a thorough evaluation.

One member pointed out the potential problem that the pathfinders might be over-evaluated and offer excuses not to roll-out Moneymadeclear rather than illustrate how it can be successful. Another member said that this is why it is crucial we learn from the pathfinders so that when the service is rolled out nationally, it is done well. It was added that with the current roll-out timescale however, you will only have some lessons learned as the more in-depth issues of confidence and capability will take years to ascertain.

The Forum was also told that the evaluation will include an understanding of the role of intermediaries as partners and as vehicles for referring clients on. The evaluation is also looking at the whole operational challenge – consistency, partners, providers, diversity, quality and informing how to scale up from 2010.

There are month by month comparisons being carried out in other regions as well as the North-East and North-West. This isn't a control group as such but it does offer a broad base for comparison between regions with the pathfinders and those without.

It was suggested that Moneymadeclear has a great opportunity to capture the zeitgeist and current interest in long-term saving as a reaction to the recession.

It was agreed that a key challenge is defending the service and the funding needed for it despite public expenditure cuts. There is also broad consensus that if there is a change of government at the next election that the roll-out should not get derailed but that it might happen at a different pace or scale.

### **Conclusions**

Clive Cowdery summed up and concluded that the FHF meeting had raised the following points of action:

- a. The Resolution Foundation will gather research and evidence relating to trust in financial services to present at the next Forum meeting.
- b. A key topic for the next meeting will be financial education, in recognition that it is important to keep a focus on preventative activity even during periods when the pressures on remedial and crisis activity are acute. Wendy Van den Hende agreed to present an overview at the next meeting.

c. The other key topic for the next meeting will be housing - the impact of the economic context (for example on debts, repossessions, availability of credit) and the effectiveness of existing support and recent initiatives. Helen Aynsley will discuss with Teresa Perchard and secure involvement of Shelter and CML.

Clive then thanked everyone for their valuable time and input and said that a note will be circulated shortly.