

Financial Services Consumer Panel

AN INDEPENDENT VOICE FOR CONSUMERS OF FINANCIAL SERVICES

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Ms Jacqueline Latter
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Our ref: Fincap/KW

23 April 2007

Dear Ms Latter

Financial Capability: the Government's Long-Term Approach

The Financial Services Consumer Panel welcomes this opportunity to respond to the Treasury consultation paper - Financial Capability: the Government's Long-Term Approach. Thank you for agreeing to this extension to the response deadline to allow the Panel to discuss its response more fully.

The Financial Services and Markets Act 2000 set consumer protection and consumer awareness objectives at the heart of the Financial Services Authority's retail agenda. The FSA leads the National Strategy for Financial Capability in partnership with the Government, industry and the voluntary sector and the Panel is very pleased there has recently been a significant increase in resources for financial capability and sees this as a clear sign of the importance the FSA places on supporting consumers make informed financial choices. Coupled with the publication of the Government's long-term strategy it is clear that financial capability is at last being given proper consideration in terms of how over the longer-term consumers can be given the right skills to more effectively manage their financial well-being. That this strategy is being developed to provide education and support at a number of different life-stages will only serve to reinforce what are extremely important messages for consumers.

The problem addressed in the consultation document is the gap between the capability of consumers and the capability required of them by the financial services environment in which they function. This gap needs to be closed by actions in both spheres, not only to enhance the capability of consumers, but also to make products more understandable and simplify the context in which they are sold. The Government clearly has a role to play here. National Savings are a good example of an understandable product range, whilst the tax and benefits system, in contrast, presents formidable difficulties for consumers which inhibit engagement with financial services.

The Panel believes the formation of the Ministerial group is a very good idea but also feels it would be desirable for one Department to be given the lead responsibility for financial capability, and feels this should be the Treasury. The forthcoming financial capability action plan as outlined in the Treasury consultation is also to be welcomed.

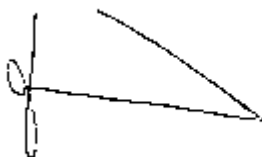
The Panel believes it might be more appropriate for limited resources to be targeted at the areas where there is the biggest scope for consumer detriment. For example, the Panel feels more needs to be done to promote financial capability for older consumers and will soon be discussing this issue with the FSA.

The Panel supports the Government in acknowledging the need for generic financial advice and in setting up the independent feasibility study led by Otto Thoresen, Chief Executive of AEGON UK. With the Government's planned move to personal accounts for pensions, more and more of the responsibility for long term financial decisions is being given to consumers. This can only work if people have the support and advice to understand the decisions they have to take. The Panel has for some time been calling for the provision of a national generic advice service to help consumers make better financial decisions. It is therefore very pleased to see the Government's commitment to an action plan on generic financial advice by the end of this year. However, there must be no delay, and generic advice must be in place before consumers have to take decisions on personal accounts from 2012.

A clear distinction needs to be made between the boundaries of generic and regulated financial advice. But there is a danger this will create an over burdensome structure for consumers where they have to locate those providing generic advice and those offering regulated advice. The Panel considers there is a clear advantage for consumer in having a 'one stop shop' facility offering or signposting generic and regulated financial advice and recommends that this option should form part of the review.

The Panel welcomes the opportunity to consult with Otto Thoresen and his team and would be happy to discuss this and any other matters of interest concerning generic financial advice if this would be helpful.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Howard'. The signature is written in a cursive style with a large, sweeping initial 'J' and a long horizontal stroke extending to the right.

John Howard
Chairman
Financial Services Consumer Panel