

Telephone: 020 7066 9346
Email: enquiries@fs-cp.org.uk

Caroline Rookes
Money Advice Service
Holborn Centre,
120 Holborn,
London,
EC1N 2TD

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Dear Caroline,

Consultation on the Money Advice Service's 2016/2017 Business Plan

This is the Financial Services Consumer Panel's response to the Money Advice Service's (MAS) business plan consultation.

The Panel appreciated the opportunity to discuss the outline of the business plan with MAS in October 2015 and in January 2016.

1. Do you have any comments on the types of customers we propose to target our efforts towards, as set out in our three-year Corporate Strategy?

The Panel understands the segmentation model MAS has developed to assess financial resilience takes into account an extensive range of recent information about consumers. However, there is confusion between 'resilience' and 'capability'. MAS's statutory objectives require it to increase financial capability, not (directly) resilience. All other things being equal, more financially capable people will (if they can) take steps to ensure they are more resilient, but the reverse is not true. More resilience does not necessarily lead to higher levels of financial capability, so by focussing on resilience MAS risks losing sight of the bigger picture. This misconception leads to the perverse conclusion that people in the 'cushioned' segment are a low priority. Yet the plan explicitly acknowledges that people in this segment get into financial difficulty, and become a priority when they do. So where is the preventative approach?

2. Do our six aims cover the right areas for the three-year Corporate Strategy period, and do they set the right level of ambition for the Money Advice Service?

We are broadly supportive of the six aims, but have some concerns.

Aim 1 describes process, not a desired outcome. MAS should have an aim of improving financial capability, in line with its statutory objective. The business plan should describe how MAS will work towards that aim, with partners, and how it will handle some of risks involved in delivering through third parties. For example, what would MAS do if a partner withdrew citing incompatibility with shareholder priorities, or it became clear over time that some partners were paying lip service rather than pulling their weight?

The first part of **aim 3**, helping people manage their money day to day, is clearly linked to MAS's statutory objective to enhance the ability of members of the public to manage their own money. However, the second part, more people saving, is not. This is an

example of the confusion between resilience and capability. Auto-enrolment is a good example of a 'resilience' initiative that does nothing to increase financial capability. Indeed, the reverse may be true. People who have not had to engage with their pension savings do not acquire financial knowledge and skills, with potentially disastrous consequences when they reach an age where they can exercise pension freedoms.

We agree that, for many people in many situations, saving is a good thing. But having savings is not an indicator of financial capability. While there may be benefits to coordinating campaigns around the benefits of saving, for all income groups, MAS's business planning documentation should be clear how this helps to achieve financial capability, rather than saving for its own sake.

Aim 5 This seems rather confused. While we welcome, for example, the intention to feedback MAS's intelligence into regulatory decision-making we are not clear what is the intended outcome of 'working with financial services'. It might be useful to give an example of how, say, a general insurance product can increase financial capability?

3. Given the intent and scope of our aims, what are your comments on the activities and priorities we have set out in each chapter covering our programme of work against each aim for April 2016–March 2017?

In a similar vein to our answer to the previous question, the activities are sometimes too narrowly focused on where MAS has direct accountability. For example, actions under **aim 2** (earlier and wider access to debt advice), are limited to the debt advice services MAS sponsors. Chapter 2 might say more about how MAS plans to leverage action from elsewhere in the sector to achieve the overall aim. There are many providers of debt advice who are not funded by MAS. MAS needs to ensure the data it collects and statistics it publishes take into account advice provided by all debt advice firms.

There are some financial capability issues that do not seem to be covered by any of the activities. What will MAS do, for example, to increase the proportion of people who can read a bank statement? Or give people the skills to decide between substitutable products (should I save, or should I insure?).

4. Do you agree that the performance indicators we have identified effectively capture the intended impact of the Service's work?

In general, many of the KPIs are linked to provider activities, rather than consumer outcomes. While it is important to state the activities, ultimately it is the results that matter so we would urge more effort to be devoted to measurable outcomes, even if there is some overlap with the financial capability strategy outcome measures.

As MAS is responsible for ensuring the Financial Capability strategy is delivered, we would prefer KPIs that clearly hold MAS accountable for its delivery.

In passing, we are not clear about 2.6: to what population do the 17% and 21% refer?

5. Are there any other ways we could measure our effectiveness?

As stated above, it would be useful to:

- State the key measurable changes in financial capability that MAS is seeking to influence; and
- Use KPIs which clearly hold MAS accountable for the delivery of the Financial Capability strategy.

6. Do our plans understand and reflect the distinctive financial capability needs in the devolved countries of the United Kingdom?

Yes.

7. Do you think the Business Plan sets the right direction for the Service over the period 2016–2019 and specifically 2016/17?

Overall we are encouraged by the progress made since the last business planning cycle, and a greater sense of direction. We would urge greater focus on financial capability, risks, and measurable outcome-based KPIs, as detailed above.

8. Is there anything missing from the Business Plan? Are there any specific solutions, partners or techniques that you would expect us to make use of, in relation to the financial capability challenges we aim to tackle?

It would be helpful if the plan included an explanation of (a) how each aim is linked to MAS's statutory objectives, and (b) the relationship between the corporate strategy and the financial capability strategy.

We think the MAS roles set out on page 16 should include 'learning from others'. Many countries have developed financial literacy/capability strategies, and there is a body of international research that MAS could draw on. This is not mentioned anywhere.

We would also expect the plan to say how MAS intends to use its influence to improve financial education for adults, for example through working with employers, employee groups, the health service and professional bodies.

9. What are the key risks and issues you would expect us to address as we deliver the plan?

We recognise that MAS and other public financial guidance providers are planning in an uncertain environment, as we await the feedback from the government's review. We understand that MAS is ready to amend its business plan when we know more about the government's intentions. It would nevertheless be useful for MAS to refer more explicitly to the risks posed by the review, and MAS's options for managing these, and other external risks, such as the impact of regulatory and policy decisions on the ability of MAS to achieve its stated aims.

10. Is the plan clear and easy to understand? If not, please indicate sections that you think should be made clearer.

The plan is mostly accessible, clear and readable. As mentioned above, Chapter 5 is confusing, possibly due to the lack of a clear aim. However the plan does prompt some wider questions, as we have outlined in our answers above.

Sincerely,



Sue Lewis
Chair
Financial Services Consumer Panel