Financial Advice Market Review and consultation on public finance guidance

Citizens Advice response

Contents

Good advice and guidance matter for consumers

Citizens Advice aims to provide the advice people need for the problems they face, and to prevent problems happening in the future. We are a national charity and we deliver advice services from over 3,300 community locations across England and Wales, run by 338 registered local charities. We are the Charity Times Charity of the Year for 2015.

In the last year local Citizens Advice helped people with 1.8 million queries about debt and personal finances. Through our financial skills programmes we also help people to avoid money problems and gain knowledge, skills and confidence with money. We are also a partner in the Government's new Pension Wise service, delivering face to face guidance for people approaching retirement. We use that experience to advocate to improve policies which affect consumers' lives, including around advice, debt remedies and private pensions.

Good advice and guidance matter for consumers, particularly at a point of rapid change in the consumer and public policy landscape. Unsecured household debt is expected to rise to around £300 billion by 2020; welfare reform continues; consumers have new choices around pension decumulation. Yet over thirteen million UK adults find managing money difficult, and only two per cent of us are willing to pay today's going rate for pensions advice. This is despite significant investment in debt advice, money advice and financial capability services through a range of levies and directly from Government, local authorities and private organisations, including £80 million per year from the Money Advice Service alone.

We conducted research using our data and national polling to highlight the reasons so many consumers are missing out on the benefits of money advice. That research identified not one but four advice gaps.

Figure 1: The four advice gaps

The four gaps we identified are:

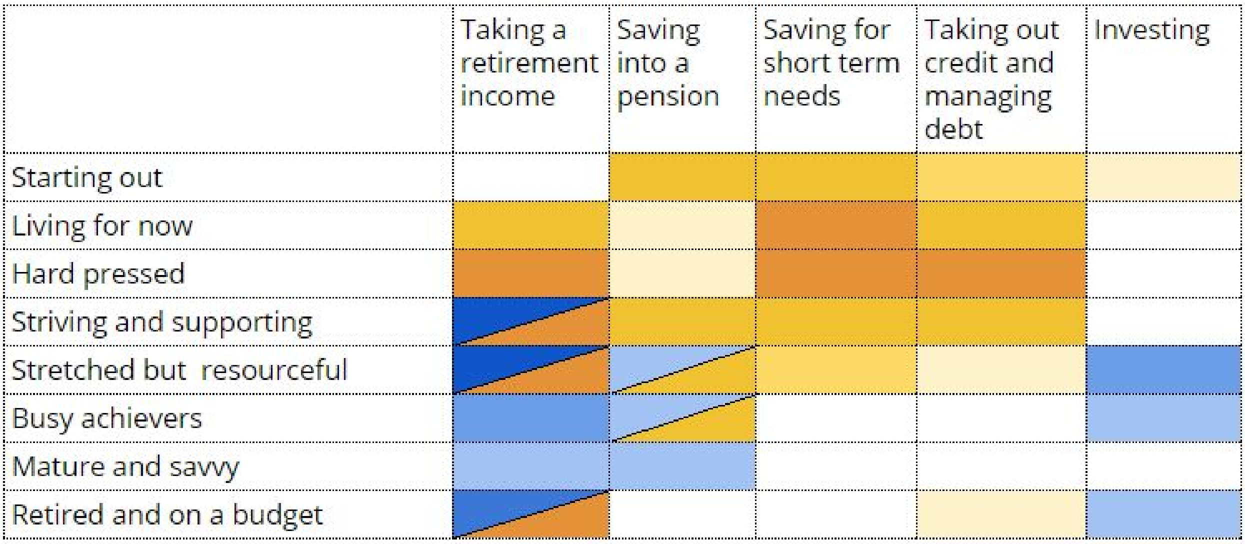
- The **affordable advice gap** which affects consumers who are willing to pay for advice but not at current prices. Our research suggests that up to 5.4 million extra people would consider paying for advice if it cost less.
- The **free advice gap** which affects people who want advice but are unable to pay for it. Up to 14.5 million people who think they would benefit from free advice haven't taken any in the past two years. The free advice gap includes 5.3 million people who have needed free advice in the past two years but haven't taken it, and 735,000 people who have tried to access free advice in the past two years but couldn't due to lack of supply.
- The **awareness and referral gap** which affects people who are not aware that advice exists, or where to get that advice. As many as 10 million people who think they would benefit from free advice are not aware of public financial guidance. The awareness and referral gap includes 3.3 million people say they need free money advice but failed to get it because they didn't know it existed or where to get it. In addition, 3.4 million people have raised a financial issue with a trusted professional at some point but were not given help or were not told where to find it.
- The **preventative advice gap** which affects those who would benefit from having money advice as a preventative measure. As many as 23 million people have fallen into a preventative advice gap at least once in their life. For instance, 39 per cent of people who have expected a baby would have taken money advice if it was offered. Even those who have accessed some advice may fall into this gap: 1.2 million people who have taken paid-for or free money advice in the last two years have not had the non-financial causes of those problems addressed.

The four advice gaps we have identified are not distinct and their overlap highlights the need to consider the provision of advice and guidance as a coherent system.

Advice and guidance are two sides of the same coin

Citizens Advice is responding to these two reviews jointly because policy on financial advice and public guidance must be developed in tandem. The chart overleaf, based on the heatmap in the FAMR call for input, indicates where Citizens Advice perceives the biggest advice and guidance gaps to be.

Figure 2: Key guidance (in orange) and advice (in blue) needs by segment and decision



Blue denotes a financial advice gap and orange denotes a guidance gap. The biggest financial advice gaps, in bright blue in the chart, are around pension saving and decumulation for low to middle earners. The biggest guidance gaps, in bright orange in the chart, are around saving, taking out credit and coping with debt for consumers managing tight family budgets. This chart also demonstrates that different consumers sometimes need advice and guidance at the same time, or in different areas at different times of life. For example, people with moderate resources are likely to need both guidance and advice around pension decumulation.

How to plug the advice and guidance gaps

The Financial Advice Market Review (FAMR) and consultation on public financial guidance offer a crucial and very timely opportunity to increase demand for and supply of advice and guidance, in order to plug each of these gaps and empower consumers with their money.

We propose that in order to deliver for consumers, the Government should:

- Expand the supply of advice and guidance that consumers will trust, using recognised brands to plug gaps.
- Reform public financial guidance to put the consumer at the centre; to get more money to the front line; to integrate debt and money advice; and to make better use of life events as engagement hooks.

This document is our joint response to both the FAMR call for input and the consultation on public financial guidance. We are grateful to members of the local and national Citizens Advice working group who have given up their time to inform it.

Citizens Advice delivers pension guidance on behalf of HM Treasury, under the Pension Wise brand. This document reflects the views of Citizens Advice as a consumer advocate and not the views of Pension Wise or HM Treasury.

Response to Treasury consultation on public financial guidance

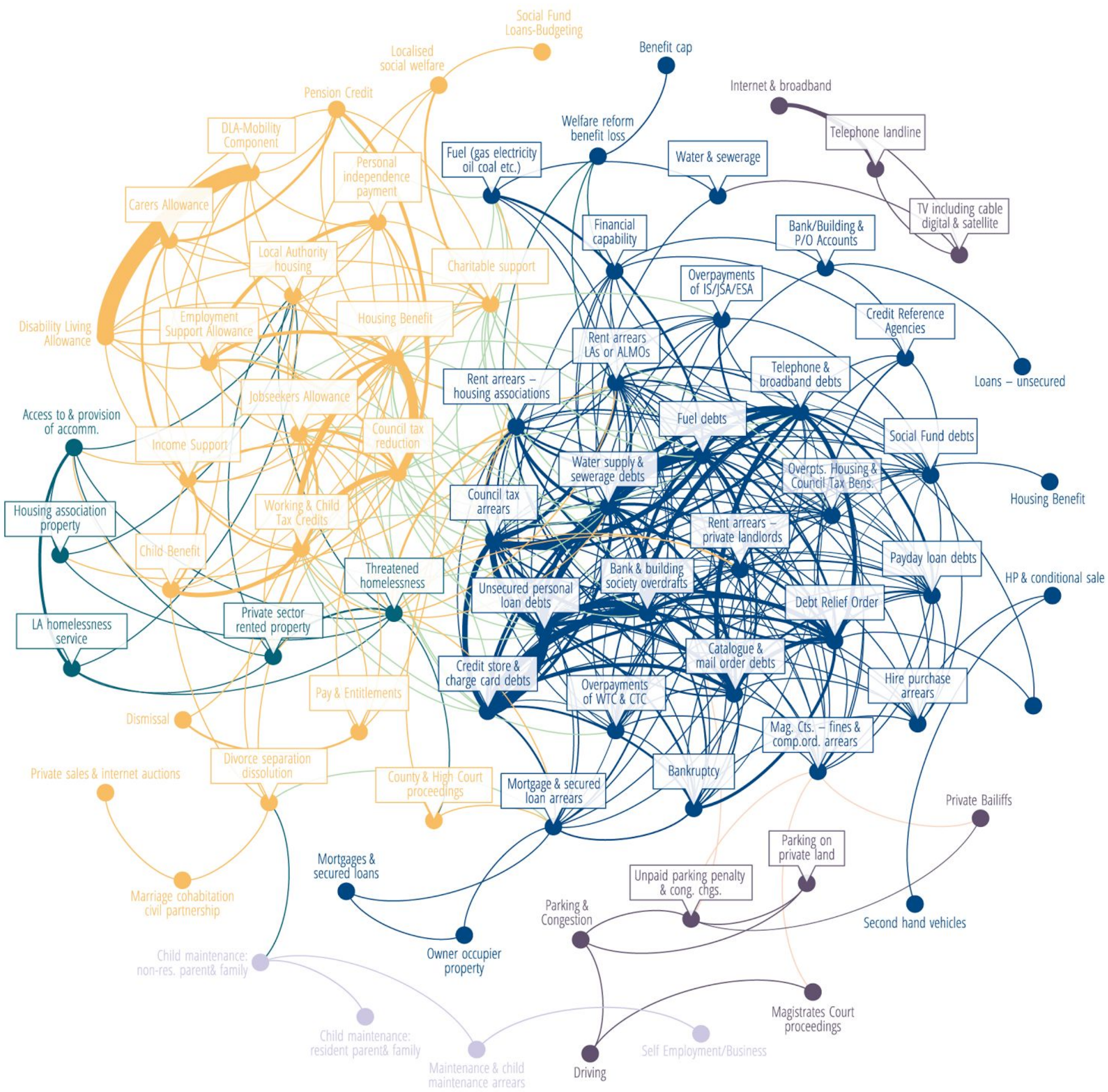
Q2. What additional, or alternative functions and structures could a statutory body put in place to effectively co-ordinate debt advice provision?

Demand for advice on how to deal with debt issues is high. After welfare, debts are the second most common issue presented at Citizens Advice. In 2014/2015, we helped 402,000 people with 1.6 million debt problems.[1] Offering advice and support to individuals with debt problems can be a difficult and complex process, often involving casework over long periods in order to help people find the right approach to dealing with their debt. This can involve support with budgeting and reducing costs of essential good, negotiating with creditors, and in some cases, getting some debts rescheduled or written off. Debt problems rarely exist in isolation for individuals, and are often part of a cluster of problems that all need to be dealt with in order for people to move on with their lives. Citizens Advice does just that, providing an holistic service to help consumers; figure 3 overleaf shows the links between debt and other problems presented by Citizens Advice clients.

Demand for these services is likely to remain high and increase. Following a long period post-recession in which the amount of private debt households held as a proportion of their income was decreasing, this trend has recently reversed and is forecast to continue to rise between now and the end of this parliament. In particular, unsecured debt is on the rise, and grew by over 6 per cent last year compared to a 1.5 per cent growth of the total of secured debt.[2] This is in the context of a steady and significant decline in the savings ratio, as household spending growth has begun to recover sooner than household incomes. Not all groups are equally at risk - our recent work on changing patterns of indebtedness found that young people aged 15-24, people with low levels of wealth and assets and single parents were all at a higher risk of overindebtedness and need to resort to advice.[3]

[1] The value of the Citizens Advice service: our impact in 2014/15, Citizens Advice, 2015.
[2] Unsecured and insecure? Exploring the UK's mountain of unsecured personal debt—and how it affects people's lives, Citizens Advice, 2015.
[3] *Ibid*

Figure 3: The links between debt and other issues for Citizens Advice



In this context, it is of the utmost importance that as much of the levy funding as possible is directed towards the delivery of advice and guidance services. It is positive that 91 per cent of the levy funding allocated for debt advice provision already reaches the frontline. The current functions and structures ensure access to high quality debt advice for large numbers, allowing people to access that advice through trusted independent charities and get the detailed and ongoing support that they need to reach a positive resolution when handling their debts. However, there is much room for improvement, as described in the Farnish review of the Money Advice Service.[4] The development and co-ordination of sector initiatives by the Money Advice Service has not been as successful as it could have been. We would like to see the development of a debt advice strategy that puts consumers at its heart. This would involve building services around people's needs and behaviours so that:

- All who look for advice are able to find it easily

[4] Review of the Money Advice Service, HM Treasury, 2015.

- Advice is high quality and delivered sensitively, mindful of the stress associated with debt problems
- All who receive advice achieve positive and sustainable outcomes
- Advice is holistic, addressing the whole person and helping them to tackle any problems underlying indebtedness or caused by problem debt

With these underlying principles, there are several other ways in which co-ordination could improve, and enable the funding that is currently available to be used more efficiently:

Sector-led development: In conjunction with a strong focus on consumer needs, more focus should be placed on using the experience and expertise of advice delivery organisations in the distribution of funding and the design of services and quality standards. As well as being expert on user needs, advice delivery bodies have excellent knowledge of the wider support landscape and how it fits with debt advice to offer a holistic solution to an individual's problems. The three main debt advice charities (Money Advice Trust, Citizens Advice and StepChange Debt Charity) together provide a well-functioning ecosystem of provision and we are working together to ensure a seamless journey between our services and will be exploring this further with other organisations. This work, which began in early 2015 and is independent of the MAS Debt Advice Steering Group, will continue with this consultation in mind.

Channel shift: With many different organisations involved in the debt advice landscape, often using different channels, it needs to be easier for people who need help to work out where to make the initial approach. People who need debt advice should be able to choose the most convenient channel for first contact with debt advice services. The 'common initial assessment' model developed by Citizens Advice delivers this, assessing people's needs and capabilities and identifying the correct channel for subsequent contact. Building on this approach would help to reduce the costs of delivering debt advice and increase the number of people who can be helped.

Integrated Money Advice: Debt advice is not reaching its potential effectiveness if it simply solves an individual's immediate problem but does not leave them more financially capable and resilient. To this end, generic money advice and efforts to improve financial capability should be better integrated into debt advice. Currently these are funded separately and managed by two separate teams within the Money Advice Service, each of whom adopt different approaches to sector engagement, service development and funding. This is apparent in the difference between the proportion of each budget that is spent on frontline services (91 per cent in the case of debt advice, 40 per cent in the case of money advice).[5] Many local Citizens Advice have found inventive ways to combine these funding streams, but these structural issues can limit the ability of many advice delivery organisations to use their funding in a way that would best help their clients avoid future problems. Only by integrating the funding streams and strategies can both funding streams be used most

[5] 2015/16 Business Plan, The Money Advice Service, 2015

effectively. Citizens Advice has piloted this approach with funding from Martin Lewis, as described in the box overleaf.

The Martin Lewis Integrated Money Advice Pilot

This pilot - which used a donation of £1 million from Martin Lewis - reached almost 4,000 clients in 16 local offices in 2014. It was set up to test the delivery of an integrated debt and preventative money advice service. The Integrated Money Advice (IMA) model comprised two key components:

- Decision Tree: a screening tool to enable assessment, routing and dealing with emergencies
- Money Focused Interviews: integrating financial capability education into standard debt advice appointments

The model was subsequently refined in light of the evaluation findings and elements of the Citizens Advice model continue to be piloted and improvements rolled out across our network. The local offices involved have very positive views on the Money Focused Interviews and their benefits to clients, and all of them have continued to deliver them after the pilot ended.

Q3. What role should a statutory advice body have in providing quality assurance and setting standards for debt advice?

The FCA should continue to regulate the provision of debt advice. As new providers (such as housing associations) begin to give advice, the FCA should ensure that they are appropriately regulated and enforcement activity works to ensure that consumers are protected from the risks of poor debt advice.

Quality assurance and standard-setting for funded advice should remain the preserve of specific funders of advice services or projects, which may include the responsible statutory body but also any other organisation that funds work in the sector. The statutory body should offer advice on best practice to these funders, and work with them to encourage them to set sensible standards that are in harmony with an overall debt advice and financial capability strategy.

Q5. What additional, or alternative functions and structures could a statutory body put in place to effectively co-ordinate public financial guidance on pensions?

Q6. How could the organisational delivery of public financial guidance on pensions be improved to provide greater efficiency?

Q7. What scope is there to rationalise the funding of public financial guidance provision on pensions?

Decisions around how to save for retirement and how to take an income from a pension are among the most important financial decisions individuals make over the course of their lives. Successive reforms to the pensions market and the state pension over the last two decades have led to an increase in the number of people needed to engage in this type of decision-making and the complexity of the decisions that they face. In particular, the pensions changes introduced in 2015 have vastly increased the freedom individuals have over how to use their pensions pots in retirement.

Citizens Advice supports the principles behind the pensions freedoms introduced in 2015, but these freedoms make it crucial that there is universal access to adequate information, guidance and advice on choices at retirement.[6] We know that people find pensions difficult to understand and decumulation choices hard to navigate. We also know from experience that people do not approach such important financial decisions discretely, and that advice and guidance about how to take income from a pension pot needs to be placed in the context of people's broader lives. While Pension Wise is bedding in well, there is room for guidance to develop so that people can access a more personalised, responsive service.[7] Better referrals from guidance to advice services and changes to the advice market itself could widen access to advice for consumers.

We have previously recommended the following changes to the Pension Wise service. The key theme across these recommendations is ensuring a smooth customer journey that allows individuals to access the guidance and/or advice that they need at the time that they need it:

- More should be done to ensure that people are referred to Pension Wise, which can then act as a gateway to regulated advice if people want extra support. Many consumers will want to take guidance and then seek additional help from a financial adviser but may struggle understanding what they want advice on or how to find and choose an adviser.
- Pension Wise should build on its early success to offer a more personalised service. The core script should be protected, but advisers should be able to offer guidance on wider issues such annual allowances and the new flat rate pension if asked.
- Guidance should help tackle the root causes of problems. In 2014, half of Citizens Advice clients seeking help about private pensions also asked for help on one or more other issues including: employment, tax and benefits, debt,

[6] Even before the introduction of the 2015 pensions freedoms, 312,420 people sought help with their pensions from Citizens Advice, comprised of 52,761 face to face clients in our local offices and 259,659 people using our website. Face to face clients were up by 39 per cent compared to 2013/14, and online users increased by 44per cent.

[7] This year Citizens Advice started delivering face-to-face Pension Wise guidance on behalf of the government. All of our Pension Wise staff are accredited professionals.

consumer issues or family and relationships. Similarly, a significant proportion of Pension Wise clients raise questions about their broader lives in these sessions, such as financial capability, tax credits or debt. In total 27.3 per cent of Citizens Advice Pension Wise clients have booked a separate Citizens Advice session on other issues to help them find a way forward.[8]

- The current restrictions around one-off use of Pension Wise should be reviewed. Someone visiting Pension Wise aged 50 should be able to have a second session if they then retire at 65, for example.

Separately, the market for financial advice should be supported by encouraging new entrants and offering better referrals to restricted advice. In conjunction with all of these changes, greater promotion of and referral to the Pension Wise service. Local Pension Wise delivery centres could start promoting their service to local employers alongside a national effort to promote the service amongst larger firms. Engagement with employers would help improve referral links to Pension Wise and tackle the advice and referral gap.

However, pensions guidance should not be limited to helping people with their choices at retirement. As we know, not enough people are saving enough to support a comfortable retirement.[9] Auto-enrolment is welcome, but rates are currently set too low for many people's needs. Information, advice and guidance are vital - alongside auto enrolment and other behavioural nudges - to ensure that people begin saving for retirement and are encouraged to increase their pensions contributions whenever possible.

Life events and changes need to be exploited as hooks to encourage people to think about their future financial security. Employers have a role to play here, as do public services and advice providers. To that end, more should be done to integrate pensions advice with other debt and money advice, and financial capability interventions, which would allow the funding for all three types of advice to work more efficiently and deliver on several different Government priorities.

Q8. Are the statutory objectives underpinning MAS the right ones?

Q9. What role, if any, should a statutory body have in providing general money guidance?

Q10. What role, if any, should a statutory body have in supporting financial capability?

[8] The most common issues are financial capability (16 per cent of all our Pension Wise clients also booked a Citizens Advice session on this subject), benefits and tax credits (12 per cent), debt (3 per cent) and employment (2per cent).

[9] Approaching retirement How consumers think about their lives and future plans before withdrawing their pensions, Citizens Advice, 2015.

Successive governments have sought to improve financial capability, rates of household saving and retirement planning. This is increasingly important as consumers are given more freedom and choice about how to manage their money.

Paid-for financial advice is vital but even if prices fall substantially, many households will still be unable to afford it. Almost half (49 per cent) of households have net financial wealth of less than £5,000, so are unlikely to pay any price for advice.[10] So it is vital that the current free advice gap - which has seen up to 5.3 million people miss out on help they needed in the last two years - is addressed.[11]

Ensuring that people can manage their money is important because high levels of financial capability:

- Improve consumer markets by ensuring that more people make optimal decisions, thus driving increased competition and demand for financial products
- Reduce arrears levels for for utility companies, mortgage lenders and landlords (local authorities, housing associations and private landlords)
- Help people to manage debts and avoid problem debt
- Help people move on in their lives and plan for the future

We know that many people have low financial capability. This can make budgeting a struggle and make it harder for them to deal with financial shocks and plan for the future. Our recent polling found that 13.4 million GB adults find managing money and making financial decisions challenging and 18.1 million GB adults say that they rarely or never save.[12]

We suggest that the Government should adopt the following three principles to plug the free advice gap:

- Trust: Use familiar, trusted and convenient sources to provide advice. This will involve building on what already exists and joining up services
- Tailored: Ensure that different types of advice are available through different channels to meet people's needs and build their capability in the long term.
- Timely: Ensure that this advice is available at the times in life when it would be of most benefit to individuals.

It should ensure that the organisation that delivers the relevant statutory functions has the following role in providing general money advice or guidance and financial capability services:

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[10] Wealth and Assets Survey - Chapter 5: Financial Wealth, Wealth in Great Britain 2010-12, Office for National Statistics, 2014

[11] The Four Advice Gaps An analysis of the unmet consumer needs around financial advice and public financial guidance, Citizens Advice, 2015

[12] The free advice gap: Spreading the benefits of access to high-quality money advice, Citizens Advice, 2015

Self-service information and tools: The statutory body should ensure that there is enough independent, impartial and readily understandable information about money and financial products. It should survey and quality assess what has already been made available by business and charities. It should then focus on signposting to this information where appropriate and finding solutions - within the existing supplier base - to plug gaps left by the market. As people increasingly look to the internet for information and advice about how to manage their money, a statutory body could focus resource on funding sophisticated self-service online financial planning tools to ensure that more people have access to free individualised support with planning their money.

Individual guidance and advice: The statutory body should co-ordinate the supply of free money guidance and advice to help people deal with financial problems, including but not limited to problem debt. This will involve ensuring the provision of sufficient supply of individual advice and guidance across face to face, phone and online channels. It should ideally co-ordinate and fund the supply of free follow-up support to ensure that those who have experienced such problems to increase their financial capability and can avoid similar problems in the future.

Financial capability services: The statutory body should co-ordinate the sector, and focus on:

- What Works: Financial capability is a relatively new sector, and the evidence on what works and provides value for money is still emerging. A statutory body should play a strong role in collecting and assessing evidence on this issue, and use that evidence to guide its commissioning strategy. In particular, it should look to increase the evidence base on long-term outcomes and impact of money advice and financial capability interventions.
- Consolidating and streamlining levy and public funding to ensure maximum value for money and increase the number of individuals supported to solve their money problems and increase their financial capability.
- Preventing future problems: This would involve linking up money advice and debt advice cohesively, through providing support for individuals both when in crisis and through delivering financial capability services at the point of receptiveness. It would also involve delivering money advice to people who present at advice agencies with different problems (e.g. problems with benefits or housing) which are sometimes underpinned by difficulties managing money and getting good deals as a consumer. Finally, it would involve commissioning new services at times of major policy changes (such as the introduction of Universal Credit), economic changes (such as credit tightening) or shock events (such as flooding) to meet the increased need for advice and support.

The statutory body should also put resource into integrating these three types of support with money. Managing individual or household finances can be complex, and someone who is looking for information about interest rates on a payday loan may actually need advice about debt-management. Similarly, someone looking for information about pension drawdown products may need to have a wider conversation about planning their income in retirement, and the interactions between their assets, debts, the State Pension and any benefits they may be entitled to, as this may have a bearing on their choices around the decisions they make about drawdown. It should be possible for people to move between information, tools, guidance and advice as necessary, between free and paid-for advice as appropriate and also between channels, based on their particular needs.

The statutory functions should evolve to reflect the priorities outlined above. The statutory functions of MAS have changed over time in response to a range of external pressures and comments on its strategic function. The development of separate strategic aims for debt and money advice is unfortunate, because getting money and debt advice working together can help address people's needs. In addition, as outlined in the Farnish review, the current interpretation of some of the statutory functions around money advice have resulted in significant spend on marketing and promotion by the Money Advice Service.[13] We believe that this money would be better spent on frontline services delivered by organisations that are already familiar to customers.

The statutory functions should clearer and more directive. Importantly, they should be broadly similar for both money and debt advice. They should focus on making the statutory body an effective sector co-ordinator and commissioner, and a hub for research, evaluation and best practice. The statutory body should also focus on ensuring that advice and services meet consumer need, filling gaps in information and services and seeking to reduce duplication wherever it exists.

Q11. What scope is there to rationalise the funding of public financial guidance provision on money matters?

As outlined in the response to Q2 and Q8-10, many people struggle to manage their money and take financial decisions. Unsecured household debt is rising, by 6 per cent in 2014, compared with 1.5 per cent for secured debt.[14] UK households currently hold £170 billion of unsecured debt and this is set to rise to £300 billion by 2020.[15] Welfare reform is also set to continue apace during this period, setting a financial challenge for a large number of households (see box on Universal Credit below). At Citizens Advice, we have been seeing a significant increase in the number of people with difficulties keeping up with their rent and council tax.[16]

[13] Review of the Money Advice Service, HM Treasury, 2015.
[14] Unsecured and insecure? Exploring the UK's mountain of unsecured personal debt—and how it affects people's lives, Citizens Advice, 2015.
[15] *Ibid*
[16] In the last two years - between Q2 2013/2014 and Q2 2015/2016 - we have seen a rise of 8% in rent arrears issues and a rise of 27% in council tax arrears issues. Source: Citizens Advice Management Information.

Moving to Universal Credit

Over the next five years, around 8 million people will start a claim for Universal Credit. This new benefit is paid monthly, as opposed to every two weeks for legacy benefits. This means that many claimants will have to adjust from budgeting weekly or two-weekly to monthly. Citizens Advice research estimated that 77 per cent of our clients who would be moving to Universal Credit would need help in doing this.[17] If Universal Credit claimants don't have the money management skills necessary to do this, there will be negative impacts not just for the individuals who struggle but also to landlords, local authorities, utility companies and creditors.

In this context, it is ever more important that everyone has strong money skills and help avoid the poorer mental health and labour market outcomes that are linked to debt and money problems. Any reductions to funding of free advice and guidance in this area would be a false economy, as costs are likely to offset as higher spending in the NHS, or higher unemployment or reduced economic growth. Conversely this funding can help reduce demand and costs across a range of Government departments and public service providers. To illustrate, for every £1 in funding received by Citizens Advice, we generate at least £1.51 in fiscal benefits, which includes reduction in health service demand, local authority homelessness services and out-of-work benefits for clients and volunteers.[18]

As such, there is a strong case for maintaining and where possible increasing funding for public financial guidance provision and financial capability interventions. There is also a case for improving co-ordination within the sector and rationalising the different funding and delivery streams to make the funding deliver more for consumers. More needs to be done to increase delivery of this funding to the frontline, and to make that funding work harder. Where possible, the statutory body should look to use the funding it holds to leverage other funds where projects deliver joint outcomes; for example utility companies - many of whom already fund money and debt advice services - have a strong interest in ensuring that their customers are able to pay their bills in full and on time. Other relevant bodies include healthcare providers, local authorities, and private and social landlords. Funding from this wider constituency must work in conjunction with levy funding, not just alongside it, and the statutory body has a strong role to play in ensuring that this happens.

Q12. How do you think that the government could best complement voluntary sector provision of financial capability?

The voluntary sector is a key provider of financial capability programmes, often at low cost due to the time contribution of volunteers. Not only is the list of charities providing this type of support rich and diverse but so too is the list of services in

[17] Universal credit managing migration pilot Final results, Citizens Advice, 2013
[18] The value of the Citizens Advice service: our impact in 2014/15, Citizens Advice, 2015.

different areas. They may offer various services including debt counselling; specialist debt relief solutions; generalist money advice; money management courses and financial health checks. Even many national organisations offer different services in different locations. Within Citizens Advice alone, there is a very large range of services, reaching over 420,000 people over the last year.

Table 1: Numbers reached by Citizens Advice Money Advice & Financial Capability services 2014

Type of service	Numbers reached
Training for the public	167,000
Integrated Money Advice	123,000
Financial Products and Services Advice	76,054
Integrated Digital Money Advice	19,973
Energy Best Deal	13,788
Training for frontline workers	8,500
Energy Best Deal Extra	5,050
Martin Lewis Integrated Money Advice Pilot	3,931
Universal Credit Advice	2,239
Better Financial Health	1,153

Some of the voluntary sector provision is already funded by Government, for example through direct funding from local authorities to local charities. Other funders of this work include utility companies, Ofgem, housing associations, the Big Lottery and banks. While the current landscape is reaching large numbers and driving innovation in the sector, the complexity and number of the funding streams available make it difficult to design outcome-based services that address individuals' holistic needs. Too many programmes are focussed on process targets and numbers helped, as opposed to outcomes and measurable increases in financial capability over a long period. Sometimes innovative practice is abandoned before it can be properly tested or scaled up, due to lack of sustainable funding.

Therefore in order to best complement this work, the Government should:

- Liaise with current funders to encourage them to continue and increase their grants to the sector;
- Encourage new funders to enter into the sector;
- Work with current and new funders to establish longer-term funding for financial capability work to allow for security of funding and innovation;
- Collate and publish evidence on what works in the sector;
- Promote the scaling up of innovative and effective practice;

- Encourage diverse funders to work together towards an overarching debt reduction and financial capability strategy; and
- Fill the gaps in funding for this overarching strategy directly where necessary.

There is already a great deal of successful joint working and leadership in the sector (see box below), and therefore the Government should take care to support and build on the capacity and relationships that already exist.

Financial capability forums

Citizens Advice has supported regional financial capability forums across England and Wales, through its Financial Skills for Life programme, since 2007. There are now fifteen forums building on the successful example of the first forum in the North West.

The forums meet quarterly and bring together key local and national partners, including community advice agencies, housing associations, local authorities, credit unions, voluntary agencies, private sector funders, and government departments. Forum members support each other by sharing information and experience. Three of the forums are led by other organisations, and the emphasis in all forums is on involving everyone with an interest in delivering or engaging with financial capability. Since 2007 over 1,500 local, regional and national organisations have attended meetings.

Citizens Advice has channelled over £1 million of funding from sources other than the money and debt advice levies to forums so that members can work together to help people manage their money better. Members have delivered projects such as Save Xmas and Energy Best Deal, and have provided training to more than 150,000 people.

Q13. Do you think that the government could offer a more integrated public financial guidance service to consumers, throughout their lives? How do you think this could be achieved?

Consumers want and would benefit from proactive advice at key events and changes in their lives. Our research has found that only 27 per cent of people have been offered advice when divorcing or separating, but a further 37 per cent who had experienced divorce or separation would have taken up money advice if offered at this time, equating to 4.3 million people.[19] Applying this analysis, there is a sizable advice gap for each of the following life events:

Table 2: Advice gap at key life events[20]

Life event	Potential size of advice gap[21]
When starting or changing jobs	Up to 9.5 million

[19] The free advice gap: Spreading the benefits of access to high-quality money advice, Citizens Advice, 2015.
[20] *Ibid*
[21] Number of people who have experienced this event, were not offered money advice at the time but say they would have take it up if they had been offered.

When starting college or university	Up to 8.5 million
When buying a house	Up to 7.6 million
While expecting a baby e.g. at antenatal class	Up to 7.1 million
After a bereavement	Up to 7.0 million
When seriously ill (physically or mentally)	Up to 5.7 million
At retirement	Up to 5.5 million
When divorcing or separating	Up to 4.3 million

However, we know that people often wait until crisis point or until they can no longer meet their financial commitments until they look for information or advice about managing their money.[22]

In order to encourage people to get advice earlier, or at key life transition points, it should be provided by trusted organisations, and where possible in conjunction with the services they use regularly. Using these 'touch points' would increase access to and engagement with money guidance. These touch points should also be well-integrated into more intensive advice services where necessary. For example, a wake-up information pack from the Student Loans Company to new or graduating students could be complemented by free voluntary financial capability online tools or workshops, and those who used those tools or attended these workshops could be signposted to one to one advice where they are already struggling with money problems. This would help a large number of students learn more about their loans, a smaller number gain new financial capability skills and potentially avoid problem debt, and those already struggling to access individual advice.

The voluntary sector already follows this approach by giving advice in outreach locations. For example Citizens Advice provides outreach services at over 2,000 locations including GPs, children's centres, food banks, primary schools, community centres, prisons, banks, hospitals, courts, colleges, housing associations, local authority offices, universities and armed forces barracks. These proactive outreach services allow people to easily access advice and support with their money and other issues before they reach crisis points, through services where they have already built up trusted relationships. It also allows advisers to refer people to local Citizens Advice or external advice agencies or law centres for more extensive advice where complex issues are uncovered. The Government could do more to ensure that money advice funding is directed to these type of proactive, preventative frontline outreach programmes.

[22] Understanding financial difficulty: Exploring the opportunities for early intervention, Money Advice Trust, 2011.

There is also scope for more delivery of money advice through the workplace, building on the model of pensions advice and drop-in services that already exist in large employers. In particular, employers should be encouraged to do more to encourage saving by working with organisations in the financial capability sector to design schemes and advice interventions that would suit their particular workplace and workforce. This would also ensure the engagement with information and advice earlier in the consumer pensions journey, and create opportunities for signposting and referral to more intensive advice and guidance for any other money problems identified at this stage.

Q14. Do you think the government should explore any alternative options for the provision of public financial guidance?

Government should seek to ensure that the statutory body is equipped to encourage innovation in the sector and focused on identifying, spreading and scaling innovative and effective practice. That organisation needs to build sufficient reach to create a coalition of localised action through community and other organisations which can provide financial capability services. It should also look to harness people's current behaviours and the strengths of existing organisations in three ways:

- Encourage better use of existing contacts with public services and advice delivery organisations
- Make better use of digital tools
- Make better use of nudges to increase the number of people accessing financial guidance.

Use of existing contacts: Often funding for money advice and financial capability has been focussed on discrete projects that relate to specific financial decisions or transition points. However such services require promotion and active recruitment of individuals to take part. A more effective approach would capitalise on existing contacts with public services to offer proactive guidance, information and financial capability interventions. This could take the form of face to face outreach clinics in places like health or childcare settings, as described in the answer to question 13 and in the box overleaf, or using other interactions with government departments, local authorities or financial service providers to nudge people towards information or financial planning tools.

There is some scope for **greater use of digital advice and online financial planning tools** to delivery financial guidance to greater numbers of people at lower cost than face to face intervention. The government or statutory body should encourage the development of these tools through grants, and ensure that they are embedded in the websites that most people use, so that their use is not reliant on brand recognition or an individual knowledge of whether or not there is government advice available.

Finally, there should be **greater use of nudges and individual data** to engage people based on their behaviours or demographic details. This would include working with banks and other lenders to develop interventions to prompt people in danger of getting into problem debt to seek guidance, or nudges to save based on age or life events. The Government could also explore how to use legislative defaults such as auto-enrolment as a hook; for example yearly statements of pension savings to date can be used to prompt people to further engage with savings.

Prescribing Advice

At present, local Citizens Advice operate in 712 different health settings: 605 GP surgeries, 78 hospitals or hospices and 29 mental health day centres or groups. In Derbyshire advice services in GP surgeries have been operating across for nearly 20 years with support from the commissioning public health team. Presently the service operates in 94 of the 102 GP surgeries in Derbyshire. In 2013-14 advice was given to almost 7,000 clients about 28,500 problems, achieving financial gains of £15 million for their clients, including £4.5 million of debt that was either renegotiated or rescheduled. A recent Government paper shows that debt management interventions commissioned through health settings have positive outcomes and lower costs to society including to the NHS. For every pound invested, there is a return to society of £3.55.

Q15. Are the suggested core services the right ones? Should any core services be added?

Debt and pensions advice should be core services, but so too should the provision of basic information and guidance to improve financial capability, broadly encompassing help with budgeting, controlling household costs including choosing essential goods and services, advice on saving and taking on and handling debt. In some cases financial capability interventions may also need to include support with digital access and using online services, especially for those about to be moved onto Universal Credit (see box under Q10).

It is essential to include this third category as core because poor financial capability exacerbates problem debt. Poor financial capability and management can also have other consequences for Government and voluntary sector organisations, including higher rent and council tax arrears, and increased recourse to local social welfare provision. Similarly private organisations such as utility companies, banks and other lenders may experience increased arrears and defaults on loans. In addition better financial capability should lead to increased savings rates, supporting the Government's policy aims in relations to pensions.

As part of the core service, debt advice needs to be very strongly linked with financial capability and support and advice for other issues that might be caused by or contributing to the debt crisis that prompted the advice-seeking.

Q16. Are the suggested principles the right ones to underpin the statutory provision of the core services? Should any principles be added or removed?

The suggested principles are the right ones, and below we outline our understanding of what they would mean for the provision of the core services.

Consumer friendly: This should encompass focusing on outcomes and maximising funding to front line delivery, along with ensuring the landscape is clearer for consumers

Rationalised: This should encompass joining up services locally and nationally, putting the individual at the heart of the service and not the specific problem or choice they face

Efficient: This should encompass discharging the statutory functions in a cost effective manner, and utilising the strengths of existing voluntary and commercial providers of information, advice and support. This would mean effectively using existing trust and reach to consumers, and working with organisations who have the market position, experience and structure to achieve economies of scale in the delivery of information, advice, guidance and financial capability interventions.

Cohesive: This should encompass utilising the infrastructure, skills and experience of the existing providers of information, advice and support, not duplicating what exists

Evidence based: This should encompass focussing on what works and disseminating that learning nationally and locally

Promoting innovation: This should encompass reserving funding for innovation to incubate, develop and grow new delivery solutions and services to individuals.

In addition, we would also suggest adding 'targeted' as a final principle. In the context of limited funding for the provision of core services, resources should be targeted where they are likely to have the most benefit. This would mean focussing resources on those whose debt problems are the most acute or whose financial capability is the lowest and where intervention can have the most impact. This is because those who face the greatest challenges in managing their money and making financial decisions are also more likely to suffer the most from poor money management, poor financial decisions or financial shocks such as the loss of a job or the death of a partner.

Q17. Do you think that statutory provision should be restructured to improve the guidance service to consumers, and if so, how?

We support the recommendations of the Farnish review of the Money Advice Service, which suggest some reforms to the current use of the debt advice funding, and larger structural reforms to the current use of the money advice funding, including a reduction in spend on the MAS website and marketing. Any reduction in spend on this should be redirected to front line delivery on money advice and financial capability interventions. In addition, we support changes to the statutory functions as outlined in the response to Q8. Finally we believe that the choice around which organisation discharges those statutory functions should rest on which organisation can credibly:

- Help more people access money advice
- Integrate debt and wider money advice/financial capability interventions
- Co-ordinate money advice stakeholders
- Ensure that consumers take better decisions
- Work more closely with the FCA
- Deliver cost-effectiveness and accountability in the use of levy funding

Response to Financial Advice Market Review Call for Input

This review seeks to increase access to advice for people without significant wealth. Our responses are based on two recent Citizens Advice reports,[23] and support the review's focus on consumers who would both benefit from advice and are in a position where they may realistically be able to pay for that advice at some price level. Our research found that the advice market needs to be:

- **Affordable** for more consumers. To widen the market, bold steps such as using technology and helping advisers reduce lead generation costs are needed. Deregulation of the current advice business model alone will be insufficient.
- **Connected** with guidance services to build trust and provide a gateway for those who haven't paid for advice previously.
- Accommodating to **referrals** from other trusted service providers.
- Easy to access at **key life moments** so consumers are more like to take timely advice when they most benefit from it.

The cost of advice is often seen as the key barrier which prevents more consumers from paying for advice. While it is certainly a major issue for many, our research has highlighted that trust, independence, awareness and availability are also crucial to consumer decisions. Many consumers decide to not take advice well before finding out how much it would cost. So while new advice options are needed to create an entry level advice offering below the Rolls-Royce service many financial advisers currently offer, more improvements will also be needed in other areas to help consumers get the advice they need.

Section 1: What do consumers need and want from financial advice?

Q2. Do you have any thoughts on how different forms of financial advice could be categorised and described?

The vast majority of consumers do not distinguish between advice and guidance, let alone the different categories of advice, nor are they interested in becoming market experts. What they want is help with their situation, confidence that they are being treated fairly and means of redress if they are not. The labels given to types of advice are complex and can cause confusion for consumers. The protection given to consumers needs to be communicated more clearly than the five rather opaque regulatory concepts set out in the Call for Input.

[23] These reports are Citizens Advice, The Four Advice Gaps, October 2015 and Citizens Advice, The Affordable Advice Gap, October 2015.

Q3. What comments do you have on consumer demand for professional financial advice?

Our research found that the demand for advice is not purely dictated by the price level. Three key findings on consumer demand stand out. First, the demand for advice is low; six per cent of people have paid for money advice in the last two years. Second, demand varies by type of advice, life stage and the wealth of the consumer. People are far more willing to pay for advice when starting a business than when they are choosing an ISA product, for instance. Third, level of demand is influenced by more than just price. When we polled consumers about the most important factors when seeking advice on their pensions, consumers only ranked the price as the third most important factor. Trust was most important with more than half (57 per cent) citing it as one of the two most important factors when choosing a financial adviser. The second most important factor, cited by 44 per cent of people, was independence. Affordability and price were only the third most important, chosen by 28 per cent of respondents.[24] The importance of trust is highlighted further by the fact that over 2 million consumers would be more likely to pay for advice if they were offered help in finding the right adviser for them.

Those findings highlight that publicly funded guidance has an essential role to play for those who can't pay, ensuring those who can are able to get advice at times in their lives when they are unable to pay and in driving up the demand for, trust of, and information about paid-for advice services. In a well-functioning system, guidance and advice services should complement each other.

Q4. Do you have any comments or evidence on the demand for advice from sources other than professional financial advisers?

Our research found considerable overlap in the demand for guidance and the demand for advice. Demand for guidance is not separate from but complementary to one regulated advice. Nearly half (44 per cent) of consumers with defined contribution pensions who plan to pay for advice also plan to use Pension Wise and large numbers of people who have a Pension Wise session then go on to seek further paid-for advice. The recent Government announcement on the secondary annuity market[25] - where Pension Wise will be extended to offer guidance to affected consumers and an advice requirement will be imposed above a certain threshold - underlines the importance of considering both guidance and advice as key parts of the consumer journey. The financial advice market works best when there are different points of contact and efficient systems of referral between providers.

Q5. Do you have any comments or evidence on the financial needs for which consumers may seek advice?

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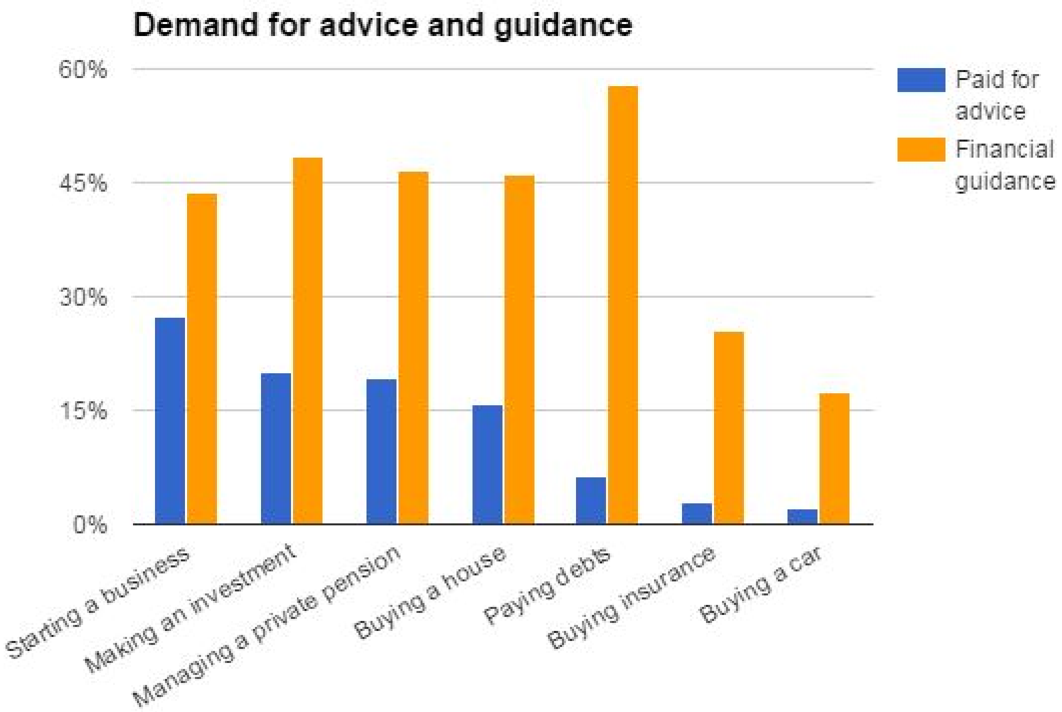
[24] These figures are from Citizens Advice, The Affordable Advice Gap, October 2015.
[25] HM Treasury, Millions given freedom over their pension as government outlines new secondary annuity market, 15 December 2015.

As highlighted in response to Question 3, we know that consumer demand for advice depends on a range of factors - one of these is *what* they people seeking advice for. As Figure 4 shows, the numbers of people considering paying for advice varies considerably by situation.

Figure 4: Demand for advice and guidance[26]



Up to one third of people would consider paying for advice when starting a business and nearly one in five when making an investment, while less than one in ten would pay for advice for help dealing with debts. Demand for advice varies not only by level but also by degree. For instance, people who are willing to pay for advice, are willing to pay more when starting a business than when taking income from a pension.

Q6. Is the FCA Consumer Spotlight segmentation model useful for exploring consumers' advice needs?

The segmentation is a useful method to recognise the complexity of the market and the need for a variety of advice services. One potential shortcoming of the segmentation is that it conflates life stage and resources. A potential, though less simple, alternative would be to consider the life stage and resources of a consumer followed by the services they would need and what they would be willing and able to pay for each service. That approach would allow the gaps in the advice market to be viewed alongside the gaps in the guidance sector, for people at different life stages, with different levels of resources and looking for advice or guidance for a range of decisions. Figure 4 above shows how people's needs for advice and guidance overlap within the current model.

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[26] Data is taken from a YouGov survey of 2,041 adults between 2nd - 5th October 2015. The survey was carried out online.

Q7. Do you have any observations on the segments and whether any should be the subject of particular focus in the Review?

It is crucial that consumers' needs for paid-for and free advice are considered together. In particular, groups such as 'stretched but resourceful', 'striving and supporting', 'busy achievers' and 'retired on a budget' are likely to have guidance and advice gaps often for the *same* financial decisions.

Our heatmap in Figure 2 provides a summary of the segments which should have most focus for this Review. For instance, 'stretched but resourceful' consumers may be willing to pay some money for advice on saving into a pension but would also be likely to use free guidance offered when changing jobs. They may also be interested in guidance on managing debt (but unwilling to pay for it) and may pay some money for advice on investing limited resources. The needs of this group illustrate the wider conclusions of our research; people need guidance and advice services which complement each other and provide for overlapping demands and complex needs.

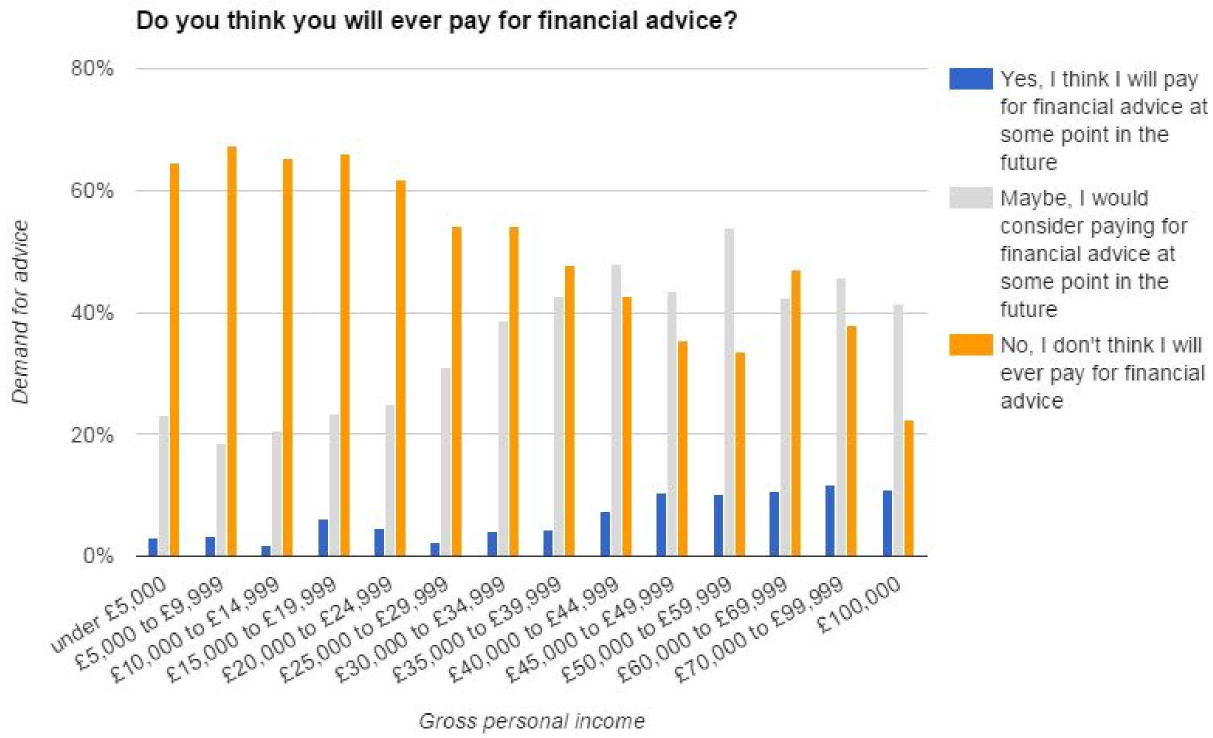
As well as focusing on segments, the Review should also pay special attention to certain types of financial situation. Consumers are particularly likely to need guidance and advice services when they have small but complex pension pots. They are likely to face complications (such as having a guaranteed annuity rate or with profits fund) and may find it hard to understand their overall position. They may also face a challenge getting the decumulation products they want from their providers. So consumers may want guidance to help understand their different pots and how they can draw them. They may then want to be referred to advice - either because it is mandatory or because they want specific recommendations and help dealing with providers.

Public financial guidance should and can complement the advice market by helping people to improve their financial circumstances, building trust in the advice sector, providing information, and referring people to the advice services they need.

Q8. Do you have any comments or evidence on the impact that consumer wealth and income has on demand for advice?

See response to Q5; demand for advice is affected by a range of factors including wealth and income levels. Our research found a strong correlation between income levels and the consideration of paying for advice.

Figure 5: Attitudes to paying for advice at different income levels[27]



Q9. Do you have any comments or evidence on why consumers do not seek advice?

We have evidence of four key reasons why consumers do not seek advice. They are: affordability, a lack of awareness, poor referral processes and that fact that advice is not easily accessible at key life events.

First, only six per cent of consumers have paid for advice in the last two years and only four per cent of the remainder say they plan to pay for it in the future. Within the group of consumers who haven't paid for advice and would not consider paying for it, there are large numbers of people who are not in a position to pay for it. However for those who can, it is not simply the price which puts them off seeking advice.

Second, people don't get advice because they're not aware it is available. This includes those who have a complete lack of knowledge of the services that exist, and those who don't know where to get advice, who to get it from and how it could help them.

Third, that lack of awareness is compounded by a lack of system of referral; many consumers do not know where to present their money issues. We have found that people regularly raise money issues with trusted confidants such as doctors, banks or employers and are not consistently directed to the advice service they need. (For more detail, see Q18). The lack of referral has a significant impact; up to 2 million people who don't currently expect to pay for advice would be more likely to do so if it was easier to find. Similarly, 8.5 million consumers would be more likely to pay for

[27] Data is taken from a YouGov survey of 2,041 adults between 2nd - 5th October 2015. The survey was carried out online.

advice if they could get help choosing an adviser. The way the guidance sector works with advisers is crucial in helping people get the support they need.

Working with advisers - Moneyplan

Citizens Advice has worked in collaboration with the Personal Finance Society since 2005 to provide general advice services, from trained advisers, through local Citizens Advice offices.

Independent Financial Advisers, qualified to level 4, are currently, or will be, based at 137 local Citizens Advice offices providing general advice, but not product recommendations. They will offer support around mortgages, endowments, equity release, banking, savings, investments, life and health insurance and pensions.

Fourth, the provision of advice is not designed with people's lives in mind. Advice is not offered to people when they most need it. Just 14 per cent of people who have had a baby were offered advice, whereas 39 per cent of those who weren't offered it, would have taken it.

Low demand for advice should not be seen simply as a product of high prices, or a simple lack of knowledge or product recognition. Low demand is also a result of the way advice services are not well enough designed around consumers' lives.

Section 2: Where are the advice gaps?

Q17. What do you understand to be an advice gap?

Our analysis of the four advice gaps which consumers experience is set out in the introduction above.

Q18. To what extent does a lack of demand for advice reflect an advice gap?

Lack of demand means that consumers are missing out on the benefits of advice, so it does reflect a gap. It is a product of the services that are available and the way the market is designed as much as it is a product of consumer choice. As highlighted in the introduction, consumers' level of demand for advice varies depending on their life stage, the decisions they are making and the advice they are looking for. That demand is further affected by how easy it is to find information about the advice on offer and how trustworthy that source is. Finally, demand is currently hindered by the limited extent to which advice is embedded in the services people use in their day-to-day lives and the services they engage with at major turning points.

Q19: Where do you consider there to be advice gaps?

Our analysis of the four advice gaps which consumers experience is set out in the introduction above. Figure 2 also identifies how gaps in the provision of advice and guidance affect different segments of the population, in different situations, to different degrees.

Q20: Do you have any evidence to support the existence of these gaps?

We analysed national polling and our own data. Further discussion of that analysis can be found in our published research.[28] Our research questions were based around consumer experiences and preferences in relation to advice and guidance services.

Q21: Which advice gaps are most important for the Review to address?

This review should be focussed on plugging the affordable advice gap. Any action to lower the cost of advice while empowering consumers and maintaining consumer protections would be a welcome change to the market for a crucial service.

What is crucial is recognising the limits both to how low the price for advice can realistically be and to how far a lower price will encourage people to seek advice. The affordable advice gap is closely related to the three other gaps in advice we identified in our research above. Ensuring more people get the benefits of advice requires an advice and guidance system where services complement each other and respond to people's needs.

Q22: Do you agree we should focus our initial work on advice in relation to investing, saving into a pension and taking an income in retirement?

As highlighted in Figure 2, different types of consumers fall into different advice gaps. We agree that these three areas merit attention. Closing these gaps must involve both advice and guidance services which can serve different consumers within those groups.

Q23: Do you agree we should focus our initial work on consumers with some money but without significant wealth (those with less than £100,000 investable assets or incomes under £50,000)?

Yes. It is important that the Review is not solely focussed on those consumers who fall just below the line of significant wealth and so fails to address the problems of the vast majority of consumers. Specifically, that means thinking about solutions that would make advice, in conjunction with guidance, available to those such as the 'striving and supporting' group who commonly have some small savings and where almost half have incomes of below £20,000.

Section 3: What are the options to close the advice gap?

Q26: What can be learned from previous initiatives to improve consumer engagement with financial services?

[28] Citizens Advice, The Four Advice Gaps, October 2015.

It is well known that consumers find engaging in financial service markets difficult. This means that blanket advertising is ineffective, and instead engagement should be encouraged at key points when consumers are more amenable to prompts. This is especially important because many financial services provide credence goods with a long duration, often featuring significant asymmetry of knowledge between retailer and consumer.

In the personal current account market for instance, consumers' apparent inertia is blamed for a lack of competition and the resulting consumer detriment. One proposal from the Competition and Markets Authority, in their recent review of the current account market, to combat that inertia is to ensure that consumers are prompted at pertinent times, for instance when they are charged by their bank or when their circumstances change. That approach may be useful to engage consumers around financial advice market at the right time, in the right way. This is discussed further in our response to Q8-10 of the public financial guidance consultation.

Q28: What steps can be taken to address behavioural biases that limit consumer engagement without face-to-face advice?

A number of systemic changes could improve consumers' engagement with the advice market. Consumers need clearer information around the price and benefits of advice so they are able to make informed comparisons and decisions; this could take the form of a TripAdvisor-style website for advisers, as suggested in response to Q39 below. The systems that aid engagement also need to be improved. Our research has found that better referral would encourage more consumers to seek the advice they need. Guidance also has a crucial role to play and must be available and situated alongside the services consumers already engage with. It must build the trust and information available to help consumers make better choices.

Q29: To what extent might the different types of safe harbour described above help address the advice gap through the increased incentive to supply advice?

Q30: Which areas of the regulatory regime would benefit most from a safe harbour, and what liabilities should a safe harbour address?

Q31: What steps could be taken to ensure that a safe harbour includes an appropriate level of consumer protection?

Q32: Do you have evidence that absence of a longstop is leading to an advice gap?

Q33: Do you have evidence that the absence of a longstop has led to a competition problem in the advice market e.g. is this leading to barriers to entry and exit for advisory firms?

Q34: Do you have any comments about the benefits to consumers of the availability of redress for long-term advice?

Any changes to regulation which are designed to reduce costs should not be made unless it is clear that consumers will not suffer from a lower quality service as a result. If other changes are made the implications must be communicated very clearly to consumers. On the two major regulatory changes considered in the review, any potential benefits must be carefully weighed against the risks for consumers. In terms of the long-stop, we have not seen any examples of a how a long-stop would significantly reduce the cost of supply of advice. Pensions are by definition long term investments and decisions so it is important that consumers have access to long-term redress. Safe harbour legislation could allow advisers to provide cheaper advice if they can focus on particular, clearly agreed areas of advice. It may reduce costs in terms of their time and their liability if those regulations are clear. This may suit some consumers who only want help in specific areas. But any such legislation would need to be communicated very clearly to consumers - and accompanied by strong risk warnings and a very well-thought out approach to the way types of advice are labelled (as discussed under Q2).

Q36: Do you have any comments on the extent to which firms are able to provide consistent automated advice at low cost? Are you aware of any examples of this, either in the UK or other jurisdictions?

Q37: What steps could we take to address any barriers to digital innovation and aid the development of automated advice models?

Q38: What do you consider to be the main consumer considerations relating to automated advice?

Automated advice has an important role to play, but it is only one part of the answer to a complex set of problems rather than a solve-all for all consumers. It can help consumers find out about different sources of advice and compare and choose both advice and financial products. Automated advice also has a crucial role to play in helping people make product choices (such as assessing the benefits of different types of ISA). It may also help consumers determine whether they could benefit from further support, or make it easier for people to store and share personal information. Automated guidance could also refer consumers to face to face, telephone or web-based guidance or advice services while ensuring that the work they had already done to identify their financial position was built upon and not replicated by any provider they chose in the future.

In both the advice and guidance sectors however, it is essential that automated solutions are understood as one strand of a multi-channel solution to fill the advice gaps, complementing face-to-face, telephone and web-based services.

Q39: What are the main options to address the advice gaps you have identified?

A range of measures are needed to help more consumers get the advice they need.

Advice needs to be cheaper. Our research found that just two per cent of people would pay over £1,000 for advice on withdrawing a £61,000 pension pot, compared to 16 per cent of people who were willing to pay between £200 and £1,000.[29] Bringing down the price of advice - which could be done by making greater use of digital technology, reducing the cost of lead generation through improved referral processes, or clarifying regulatory boundaries - will enable the sector to meet a high level of unmet demand.

Advice needs to be easier for consumers to find. Our research found that up to 2.2 million people would be more willing to pay for advice if they could get help looking for it. The guidance sector, directories and other financial organisations must play a role in growing the demand for advice by making sure people are directed towards professional help when they need it.

Information about advice needs to be clearer. Currently around 30 per cent of advisers publish price information on their websites. To engage with the market, consumers want to be in a position to make informed decisions. Ensuring that advice providers publish accurate and clear information about the services they offer would encourage more people to seek the advice they need.

The benefits of advice also need to be promoted better to consumers. Financial service companies and guidance organisations can help highlight the benefits of getting professional financial help and also what types of advice are available. Providing that sort of information could be assisted by new sources of information such as improved comparison or TripAdvisor style websites for the sector.

Any offer must involve careful thinking about the different channels through which advice is available. A key aspect of that will be automated advice, as discussed above, but alongside that consumers need access to face-to-face and ongoing support where it is required. Our research has found that 71 per cent of consumers with DC pensions would want face-to-face assistance as a first preference, compared to 15 per cent for website, email or webchat support and four per cent for telephone support.[30] An important aspect of improving the provision of advice and so addressing the gaps in the market will be to ensure that those channels link together and people can move smoothly between them.

Finally, even significant changes to the market will still leave a large segment of the population unserved by the advice market; only around 22 per cent of consumers are willing to pay even £200 for advice. Some consumers - such as those with a mortgage and a range of other debts, or people with multiple small pension pots - need access to publicly supported or very low cost regulated financial advice that they can trust. That might be delivered, for instance, by providing advice vouchers through guidance

[29] Citizens Advice, The Affordable Advice Gap, October 2015.
[30] This is based on a ComRes survey of 572 consumers aged 50+ with DC pensions not yet in payment. See Citizens Advice, [Approaching Retirement](), 2015.

services. Guidance services could also suggest further support where it is needed and provide impartial information about advice providers.

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Whoever you are.

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We value diversity, champion equality, and challenge discrimination and harassment. We're here for everyone.

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