Consumer Responsibility: Identifying and closing the gap

Report prepared for the
FCA Practitioner Panel

Jackie Wells & Associates
September 2013

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Introduction and acknowledgements

This project was commissioned by the FCA Practitioner Panel in March 2013. The purpose of this research is to help inform the Panel about the shape and nature of the perceived 'responsibility gap' between responsibility that is taken by firms and that which is accepted by consumers. The findings from the research will, in turn, be used by the Panel in its role in advising the FCA.

The central objective of the project is to gain an insightful picture of:

- The nature and level of responsibilities consumers and firms are willing and expect to take in financial services, and to determine;
- What the gaps might be between them?
- Why they exist? and
- What might be done to change the situation?

The objectives were addressed through an extensive programme of qualitative research among both consumers (100 respondents) and firms (46 respondents from 19 firms). This approach allowed for in-depth probing of attitudes and behaviour. The consumer sample was not selected to be fully representative of the UK population, although it does provide coverage of a wide range of financial services users in terms of age, affluence, financial capability and product holdings. The results cannot therefore be generalised to represent the consumer or industry populations – to do so would require a much larger quantitative sample. The views summarised in this report therefore represent only some of the views that may exist and where the majority or minority of respondents may have held a particular view, this may not be reflected among consumers or firms in total.

The authors and FCA Practitioner Panel are grateful to the many consumers and firms who gave up their time to participate in this consultation. The authors would also like to thank Rebecca Tabor and Ann Smith from the FCA Panel Secretariat, Errol Walker from the FCA and Paul Geddes and Clinton Askew from the FCA Practitioner Panel and FCA Small Business Practitioner Panel respectively for their help and support with this project.

All responsibility for content and errors rests solely with the authors.

Executive summary

Exploring the common ground and differences between consumers and firms on the subject of responsibility

The Practitioner Panel commissioned this research to bring some clarity into the debate on the interpretation of the FCA's statutory principle that consumers should take responsibility for their decisions. The high level objectives set for this project were to understand how consumers and firms see consumer responsibility, to explore the nature and level of responsibilities consumers and firms are willing and expect to take in financial services, and to determine:

- what the gaps might be between them;
- why they exist; and
- what might be done to change the situation.

The project was delivered using qualitative and, largely, face-to-face research which allowed detailed exploration of the concept of responsibility. The research programme consisted of a mix of consumer focus groups, on-line forums and depths with feedback from around 100 consumers in total alongside discussions with around 40 individuals representing 19 firms. These allowed us to focus on the differences between products, consumer types, and the role of intermediaries.

Consumer attitudes towards responsibility are framed by recent and past events in financial services markets

Most of the time, for most consumers and most financial arrangements, things do not go wrong. Responsibility is therefore not top of mind for consumers and only crystallises as an issue when things go wrong.

The financial crisis, misselling and current market practices have led to a breakdown in trust and affect consumers' views on responsibility, blame and compensation. There was little evidence that consumer views differed significantly across industry sectors; indeed there was a strong suggestion of contagion and that attitudes cut across markets.

Firms' views are shaped by the experience of recent years but also by the desire to learn from the lessons of the past and move forward.

Both consumers and industry respondents were open to change but consumers have long memories and will find it hard to shake off the recent past.

While many industry respondents recognised the need to change, they often felt constrained by the competitive landscape, by the lack of consumer engagement and by regulatory policy.

Understanding the mind-set of consumers and firms is critical to understanding why there is a disconnect between how consumers would like to respond to questions of responsibility and how they behave in the real world.

A broad consensus emerged on respective responsibilities and consumers accept responsibility provided certain conditions are met

While consumers initially struggled to articulate the meaning of responsibility, both consumers and firms did express views about two different aspects of responsibility:

- What it means for consumers and industry to act responsibly; and
- What it means to accept responsibility (sometimes expressed as taking the blame) and the conditions necessary for consumers to accept responsibility for their own actions

Most consumer respondents were clear that, in principle, they should act responsibly when making decisions and accept responsibility for those decisions. However, in practice, many either felt ill-equipped to do so or that the behaviour of firms justified them not doing so.

Thus, consumer acceptance of responsibility, whilst theoretically widespread, is dependent on two things:

- Firms behaving responsibly; and
- Consumers feeling able to act responsibly.

There is considerable common ground between consumers and firms in terms of what they felt ought to be their respective responsibilities, with no significant gaps emerging.

However, while most wish to act responsibly many consumers currently struggle to do so and adopt varied coping strategies and respond differently to different market sectors. Both firms and consumers identified barriers to their acting responsibly.

Considerable barriers to consumers and firms acting responsibly and consumers accepting responsibility

Unfortunately, while both customers and firms would like to make progress towards each acting responsibly, there are many barriers or complexities that currently prevent this happening. These flow from and centre around a number of inter-linked issues:

- Firms adopting business models that are perceived not to support the consumer;
- Impenetrable disclosure documents;
- An over-supply of product, complexity and excess information;
- A move towards technology services that prevents many from engaging effectively;
- A lack of effective help, guidance and advice for consumers;
- Consumers' inability to navigate markets, a fear of engagement or an unwillingness to engage with the industry;
- Regulatory policy which is seen to limit firms' abilities to support the consumer both at an appropriate cost and in a way that limits the firms' liabilities.

These issues are preventing many consumers and some firms from acting responsibly and are an obstacle to consumers accepting responsibility for their own decisions.

Solutions lie in changes to firms' behaviour, a new approach to providing information and guidance and improving consumer financial capability

Unsurprisingly given such a complex subject, that has been considered and analysed for many years, no simple or single solution becomes apparent from the analysis.

However, a mix of solutions initiated and supported by the industry and facilitated by regulation that could lead to shifts in both behaviours and perspectives on responsibility is identified.

Neither consumers nor most firms felt that the first move to solving the issue of responsibility could be placed at the door of the consumer.

The solutions that respondents suggested would help most in breaking down the barriers that are preventing consumers from taking responsibility included:

- Firms addressing the practices that consumers identify as barriers to engaging responsibly
- The standardisation or simplification of some products through the removal of extraneous features;
- Clearer, briefer and more standardised information written in terms that consumers can understand and a better fit between the information contained in marketing material;
- The provision of more guidance and support to consumers in helping them find a good product for their needs that does not cross the regulatory boundary into full advice ;
- The education of the younger generations in financial matters and a more accessible and effective Money Advice Service.

A need for industry and regulator to work together to find a way forward

The findings have a number of implications for industry and regulator and present opportunities for further debate between the Practitioner Panel and the FCA. Overcoming the barriers to acting responsibly on the part of both consumers and firms will require commitment by many sectors of industry to develop mechanisms to help inform, help and engage the consumer and to overcome the widespread mistrust.

The findings suggest that the industry, and in particular the banking and insurance sectors, will need to lead the way with sustained cultural change to align propositions more clearly to consumer needs. This will mean addressing the issues of inertia selling, over-selling and reverting to relationship-based business models. Some agreement on standardisation of products or product terms would reduce some of the complexity and uncertainty that faces consumers.

Industry and regulator also need to work together to find ways of:

- Providing appropriate information in a form which consumers can understand and which does not overwhelm;
- Providing consumers with 'safe haven' guidance and support in their decision making.

Finally, the government should look at ways of improving financial education in schools and boosting awareness and effectiveness of the Money Advice Service.

CONTENTS

Project background, objectives and approach

This section sets out the context and terms of reference for the project before describing the approach taken to the research and analysis, the limitations of the research and the structure of the report.

Project background and context

The concept of consumer responsibility has long been embedded in the statutory objectives of the UK financial services regulator; featuring in the objectives of the Financial Services Authority (FSA) and now those imposed on the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) through the Financial Services Act 2012.

While the issue of consumer responsibility has been debated at length by the FSA, the industry and consumer bodies over the past five years, with no clear resolution, the passage of the Act through parliament has once again served to highlight the different perspectives that exist on it.

The concept of responsibility remains the subject of some controversy, most notably in the different stances adopted by consumer and industry bodies. Consumer bodies, including the Financial Services Consumer Panel, have tended to take the view that product complexity, asymmetries which favour firms and the nature of consumer behavioural biases suggest that the concept of caveat emptor is inappropriate in financial services markets.

The industry meanwhile, faced with low levels of consumer trust, mounting compensation bills and rising levels of complaints being passed to the Financial Ombudsman Service (FOS), is seeking to gain some degree of clarity on how and where to define the boundaries of responsibility.

As the FCA is charged with taking a more proactive role in regard to consumer protection, the mutual interpretation of the responsibilities of firms and consumers becomes all the more critical. There is now an expectation that firms will have to take responsibility for anything for which consumers do not take responsibility. However, if there is a gap in understanding of where the responsibility lies, there is a danger of both sides feeling let down by the system, building pressure on firms to take responsibility for more than they had planned for, and undermining confidence in the whole system.

The FCA Practitioner Panel brief for this project posed the question of whether such a gap exists and how it might be addressed.

Project objectives

The high level objective set for this project was to gain an insightful picture of the nature and level of responsibilities consumers and firms are willing and expect to take in financial services, and to determine:

- what the gaps might be between them;
- why they exist; and
- what might be done to change the situation.

The brief also set out areas of specific consideration including:

- Exploring respective perceptions at point of sale and post-sale across different product and service types, (e.g. products which could be one-off/ seldom purchases such as pensions, compared to annual products such as general insurance or unsecured lending);
- Identifying what might be the components of a set of characteristics for consumer responsibility which could be used to highlight synergies and points of difference in perception between the different audience groups on the buy and supply side of retail financial services;

- Given information asymmetry and the different perceptions found between the audience groups, explore where the line of responsibility is drawn between the customer and firm on adequacy and accuracy of information provision during the sales process.; and
- Explore whether frequency of purchase, type and cost of product etc., impact perceptions.

Research methodology

The project adopted a qualitative and largely face-to-face approach to addressing the objectives. These methodologies allowed us to explore in detail the concept of responsibility and respondent reasoning in arriving at their views.

The research programme was divided into three broad phases, in part to allow for some interim findings to be discussed with the Panel:

- **Phase one** began with a review of relevant literature, the findings of FOS and the non-confidential responses to the FSA's 2008 discussion paper (DP08/5). We also looked further at the types of cases that lead to consumer complaints to the Ombudsman. Findings from this work fed into phases two and three and into the final analysis.
- **Phase two** consisted of four consumer focus groups (each of 8 individuals) and four consumer on-line forums (each with 10 respondents) which took place in early to mid-April. These were followed by an interim debrief.
- **Phase three** took learnings from phases one and two and consisted of depth interviews with 32 consumers and with 19 firms. These allowed us to focus on the differences between products, consumer types, and the role of intermediaries. These interviews took place in June and July.

Consumer research sample

All respondents for the consumer research were recruited on the basis that they had recently engaged with the purchase of one or more products / have recently renewed or switched a product or have recently reviewed their finances in general. Each group/forum/depth focused on the types of products likely to be held by that demographic group.

The sample was segmented by age, income and levels of financial capability. Further details of the sample are contained in Appendix one.

Focus groups were run over a two hour period with 8-9 respondents in each group, two groups located in Leeds and two in London. 32 depth interviews with consumers were conducted in various locations in England and Scotland, each lasting approximately one hour long. The on-line forums were operated over a period of 4 days with a total of 40 respondents. In total approximately 100 consumers were interviewed from across the social spectrum. However the sample did not include those reliant on benefits nor the very affluent. The sample ranged from young, inexperienced consumers with little experience of products other than with bank accounts and credit to older more affluent customers with a wide range of investment, savings and pension products.

Industry research sample

A mix of organisations was selected to provide coverage of all of the products being covered in the consumer interviews; that contained a mixture of large and small organisations and multi-line and specialist organisations; that covered some organisations who may have a different approach to consumer engagement due to either their culture, brand values or because they are a mutual organisation. A mixture of providers and intermediaries (with some organisations playing both roles) were included. A matrix of firms and list of companies interviewed is included in Appendix one.

Discussion guides and briefing

Structured discussion guides for the individual elements of the research programme were developed with the Panel and Panel secretariat in advance of the interviews. In addition industry interviewees were provided with a briefing pack in advance of the interview. Details of the guides and briefing material are included in Appendix two.

Our approach to analysis

All discussion groups and interviews were recorded and transcribed and used for analysis.

Respondents' feedback provided the consultancy team with rich and detailed material from which to provide the Panel with insights on the views of both consumers and industry. The analysis was structured along the lines that this report follows. An interim presentation provided the Panel with early feedback, the response to which was fed back in to later interviews.

The researchers shared views as the project was progressing and in a team workshop developed the analysis structure that is reflected in this report. They then followed a structured approach to drawing out areas of commonality as well as differences, in particular differences across or between market sectors, between industry and consumer perspectives, and between different types of consumer.

Industry quotes are not attributed to individuals or specific organisations due to the relatively small number of respondents and a request by some to retain anonymity. Consumer quotes are attributed to either groups, forums or depths and a brief description of the type of consumer given.

In this document, we have adopted the approach of amending quotes to ease reading where necessary:

- Where we use ……, we have removed some intermediate superfluous words or discussion;
- Where words appear in [square brackets], we have inserted a word or phrase to help clarify the meaning or have modified the wording to protect anonymity.

Project limitations

The research for this project was qualitative in nature and while the samples were designed to provide extensive coverage of different stakeholder groups, it is necessary to recognise some important limitations of the research:

- The consumer sample represented the mass market and did not include either those dependent on state benefits nor the very affluent;
- The industry sample was limited to 19 firms and will not necessarily represent the views of the whole industry;
- The research is qualitative in nature and it is not therefore possible to generalise the results to the populations represented in the research;
- The discussion guides used for this research sought to cover a wide range of issues and it was not possible to cover every area in detail with every respondent. The researchers sought to balance this by reviewing coverage on a regular basis throughout the research.

About this report

The remainder of this report contains the findings from this consultation exercise:

Section 2 - summarises the environmental factors that are shaping both consumer and firms' attitudes towards responsibility

Section 3 - describes what consumers and firms think comprises acting responsibly and the conditions necessary for consumers to accept responsibility for their actions

Section 4 - One of the key findings from this research is that, rather than there being gaps between consumers' and firms' attitudes to responsibility there is quite a high degree of consensus. Rather, there are barriers, sometimes very significant barriers to both sides acting responsibly. In this section, we describe the barriers to taking responsibility.

Section 5 - Finally, we examine potential solutions, both those put forward by firms and consumers and the response to some of the ideas that we prompted in discussions.

Section 6 contains the authors' brief conclusions drawn from their analysis of the research and draws out a few implications for the industry and regulator.

Responsibility: framing and context

Before reflecting on what consumers and firms told us about responsibility itself, this chapter of the report sets the scene by considering the context and framing for the discussions that follow.

While there are subtle and important differences between industry sectors and some differences between consumer types, the findings from respondents suggest that there is significant common ground on the following themes:

- Most the time, for most consumers and most financial arrangements, things do not go wrong.
- However, responsibility issues only crystallise when things go wrong.
- The financial crisis, misselling and current market practices have led to a breakdown in trust and affect consumers' views on responsibility, blame and compensation.
- Firms' views are shaped by the experience of recent years but also by the desire to learn from the lessons of the past and move forward.
- Both consumers and firms recognise that their respective attitudes to responsibility are being shaped by the things that go wrong
- There was little evidence that consumer views differed significantly across industry sectors; indeed there was a strong suggestion of contagion and that attitudes cut across markets.
- Both consumers and industry respondents were open to change but consumers have long memories and will find it hard to shake off the recent past.
- While many industry respondents recognised the need to change, they often felt constrained by the competitive landscape, by the lack of consumer engagement and by regulatory policy.

Understanding the mind-set of consumers and firms is critical to understanding why there is a disconnect between how consumers would like to respond to questions of responsibility and how they behave in the real world.

This section explores some of the important contextual issues that frame and shape firms' and consumers' responses to the subject of responsibility, before moving on in section three to explore attitudes towards responsibility.

For consumers, responsibility issues only crystallise when things go wrong

Although responsibility is a subject firmly on the industry's agenda and proved to be a subject that industry respondents were keen to address, it was not a top of mind issue for consumers and required a good deal of prompting to provide a focus for the research.

The research conducted for this study confirmed that consumers rarely think about the issue of responsibility in relation to their financial holdings. Their interactions are largely need and process-driven and often their engagement with financial services issues is fleeting and sporadic. So responsibility issues only tend to crystallise in consumers' minds when there's a problem.

'You're only going to complain when things go wrong, right? Things don't always go wrong do they? ... In an ideal world, things go smoothly, to plan and that's what everybody wants. The consumer wants that and the firms want everything to go to plan, so it's only the recent 10 years we've had these hiccups, which has obviously brought this debate .. to a head'

Group: male, older, lower income, more financially capable, London

Most of the time for most consumers and most products, things don't go wrong

> *"I have been with the same building society … for as long as I can remember .. I suppose you should really look into it a bit more but because you are familiar with it and you know what you are getting, then .. I do not see any reason for change."*
>
> *Group: male, younger, higher income, more financially capable, Leeds*

Fortunately, most interactions and arrangements aren't problematic. This is despite the fact that, typically, consumers might have 3 -5 product types while at the top end of the range they might have 10 or more and hold multiple products within one product type. Consumers interviewed broadly supported the assertion that most things go right most of the time.

However things that go wrong are more front of mind than things that go right

However, most consumers interviewed had experienced problems with one or more of their financial arrangements over time, such as a service issue, an unexpected outcome or a dispute. This has some interesting effects. When discussing the industry as a whole, although everyone has many positive or at least neutral experiences to draw on, nearly everyone also has tales of more negative outcomes. And it is these negative experiences that primarily influence the responsibility debate.

Thus, while customers might tend to rate individual financial services industry brands comparatively positively, their view of the industry overall can be much less favourable. Some quantitative surveys have made a distinction between asking about a respondent's own financial services provider and industry sectors in general[1]. When this distinction is made, the industry in general tends to be rated as much worse than their own firms.

Long memories and unsettling times

> *'I can recall the chaos when the pension misselling scandal arose. It has cost millions of pounds and created a great sense of mistrust amongst the general public. We later had the endowments and PPI scandals. The costs involved with those will be felt for many years to come.'*
>
> *Forum: male, older, lower income, less financially capable*

Thus, consumers' attitudes are heavily influenced by the things that go wrong - for themselves, among their family or acquaintances or within the larger industry issues played out in the media.

The various misselling issues, perhaps starting with endowments and continuing through pensions to Payment Protection Insurance (PPI), their associated compensation schemes; the collapse of organisations such as Equitable Life and bailing out of others like Northern Rock, RBS and Lloyds Group (including Halifax and Bank of Scotland); the financial crisis and more recent events such as the LIBOR[2] scandal all affected deeply the psyche of consumers interviewed for this project. Not only did these issues generate a feeling of mistrust in the industry but also shaped the way in which consumers discussed the subject of responsibility.

> *'The firms want to catch you out even if their 'front of house' staff tell you otherwise. …The only way a customer can protect themselves is to be as aware as possible and you have good arguing and negotiation skills for when they are unhappy with any part of a service.'*
>
> *Forum: male, younger, lower income, more financially capable*

Most consumer respondents voiced concerns about the conduct of the financial services industry generally and although most comments related to banks and general insurers, problems and a lack of trust were evident across all market sectors.

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[1] Nottingham University Financial Services Research Forum – Trust and Retail Financial Services 2012
[2] London Interbank Offered Rate

Firms interviewed frequently also recognised that consumers' attitudes have been shaped by the problems of the past. Many firms, particularly banks, acknowledged the loss of trust and respect felt by consumers in general and the now partly combative nature of the relationship between the industry and consumers.

A compensation culture has emerged

The trail of historical industry issues is shaping consumer thought even beyond those who were missold these products. Although a minority, several respondents reported being tempted or actually carrying through applications for compensation, not because they felt that they had been particularly missold or misled but because of the commonness of successful claims among their circle of acquaintances and the reported ease of the claim process.

The conflation of their own experiences and the wider industry troubles have created a context in which some consumers now feel justified in seeking such compensation. This is partly to redress perceptions that the industry has misbehaved, sought excessive profits and at least partly brought about the country's and their personal economic difficulties.

There was a feeling among some firms that an unacceptable and unfair 'compensation culture' was developing where consumers expected treatment in financial services that they would not expect in other markets. Some consumers interviewed also recognised this phenomenon, were critical of those who engaged in it and recognised that the costs would be borne by all consumers.

Consumers mistrust the move to a retail business model and the consequences of competitive activity

The industry was perceived by many consumer respondents to have moved away from a service business model in recent years and embraced practices more associated with the retail sector. Competition for new business is recognised as being fierce and many voiced concern over its effects. These include overselling, too much choice, product complexity, too much information, incomprehensible T&Cs, the penalising of loyalty/inertia and the need for haggling in some markets. We explore these issues further in section four of this report.

> *'You get all these adverts that are saying 'Oh, we will look after you; we want you as a customer'… I think realistically they want that but I don't think they're going about it in the right way. So I think that taking ownership of selling a product correctly is probably the way forward.'*
>
> *Group: female, younger, higher income, more financially capable, Leeds*

The firms interviewed largely, and readily, acknowledged that that the focus of much of the industry on new customers, sales, short-term profit and market share has been the genesis of many of the consumer issues highlighted above. Front of mind for many, although not all, is a sense of 'mea culpa', either as a consequence of their own actions or those of the industry more widely. Further, they acknowledged the complexity and excess choice inherent in the market and the difficulties that this presented to consumers. However, they also emphasised that the issue was multi-faceted and that the danger had to be avoided of assuming that, somehow, product simplicity was always preferable to complexity.

> *'I went to all the major banks .. and what I found was that every bank was the same .. you go in and you see a young smart lad in a suit about 25 years old .. they almost spoke to you from a script, because they have to adhere to everything..'*
>
> *Depth: male, older, higher income, more financially capable, York*

Product complexity and issues around too much choice are compounded by some of the associated regulatory requirements. Consumers regularly complained about the volume of associated printed material and stilted, over-scripted conversations that seem to result from them and firms concurred.

Industry views differ by sector

There were notable differences in industry views by sector. The greatest incidence of problems was identified by the established banks. Here there was an acceptance that significant errors had been made in the past that had resulted in unsatisfactory outcomes for many consumers. Some were now feeling almost overwhelmed by the consequences of those problems in the shape of loss of consumer trust and the burden of compensation claims and costs and regulatory attention.

Concerns were also expressed by insurers. Some felt that the general decline in trust in financial services, and an associated willingness by consumers to 'game' the system was now a significant problem for both firms and consumers.

They also acknowledged a damaging cycle which was emerging: the competitive chase for new business volumes, linked to the increased role of comparison sites, was resulting in excessive focus on price and therefore cost-cutting which meant products were being 'hollowed out' in order to appear at the top of the price tables. When customers discovered the reduced cover they, in turn, became dissatisfied and alienated, thus reinforcing the need to attract new business, so perpetuating the cycle.

Among investment and life companies and associated advisers problems were rare and relationships between firms and consumers were generally felt to be working well. Both groups indicated that they received relatively few complaints and those that they did receive tended to be about administrative failings rather than fundamental concerns.

> ***'So, I do believe the banks are culpable at the moment for the lack of consumer responsibility. Customers should be responsible, but the banks have to take the first step to getting customer responsibility, by making sure they are responsible for making things simple, transparent and clear'***
>
> *Industry respondent*

Mutuals, too, found relationships satisfactory which they argued stemmed, in part, from the nature of their business model which they felt allowed them to be closer to their clients. They also experienced some reciprocity in that members tended to identify more with them and as a consequence to have more trust in them.

The newer market entrants were committed to avoiding the problems of the past and tended to contrast their experience with that of more established players whom, they felt, were responsible for much existing lack of trust.

But consumers' experiences cut across sectors

For many the conflation of the industry issues and the effects of the various business practices and regulatory anomalies described above provide a powerful backdrop to any discussion around responsibilities. They influence the thoughts with which many consumers approach financial decision making and engender a lack of trust in and lack of respect for the financial services industry in general.

While consumers recognise differences between individual organisations and between different products, their general views on the industry infect every discussion on the subject of responsibility in financial services. We return to the differences between different consumer types and between products and markets in section three of this report.

Desire on the part of industry to learn from the past and move forward

Overall, those firms interviewed who acknowledge that some aspects of firms' past behaviour has contributed to problems in areas such as consumers' willingness to engage and act responsibly wish to look and move forward. Typically, they argue that the onus is on the industry to make the first move.

In the next chapter of this report we explore what responsibility means to both consumers and firms.

Responsibility: more common ground than gaps

In this section of the report, we look in more detail at two concepts of responsibility that crystallised during the research. While consumers initially struggled to articulate the meaning of responsibility, both consumers and firms did express views about:

- What it means for consumers and industry to act responsibly; and
- What it means to accept responsibility (sometimes expressed as taking the blame) and the conditions necessary for consumers to accept responsibility for their own actions

The key findings in this section are:

- Most consumer respondents were clear that, in principle, they should act responsibly when making decisions and accept responsibility for those decisions.
- However, in practice, many either felt ill-equipped to do so or that the behaviour of firms justified them not doing so.
- Thus, consumer acceptance of responsibility, whilst theoretically widespread, is conditional on two things:
    - firms behaving responsibly, and
    - consumers feeling able and empowered to act responsibly
- There is considerable common ground between consumers and firms in terms of what they felt ought to be their respective responsibilities, with no significant gaps emerging.
- However both firms and consumers identified barriers to their acting responsibly.

Consumers initially struggled to articulate the meaning of responsibility in a financial services context

As described already, many consumer and industry respondents reported that financial service arrangements are largely without unexpected consequences and the issue of responsibility is seldom top of mind. It is only when things go wrong that it becomes an issue and the question of blame raises its head.

Consequently, very few of our consumer respondents spontaneously raised the issue of responsibility. In fact, despite the moderators frequently mentioning 'responsibility', it still wasn't a word that respondents used very often in their discourse; as shown in the word cloud created from a face-to-face focus group transcript (with moderator questions and probes included).

'It is budgeting right? It's financial planning.'

Group: male, older, lower income, more financially capable, London

'[Responsibility means] running your life effectively. Being in control. Not going off the rails. Not taking debt without serious consideration.'

Depth: male, older, higher income, more financially capable, Southampton

When prompted to discuss what 'responsibility' means in a financial services context, some consumer respondents struggled to articulate its meaning. Among those that did have some idea it was most often related to concepts of budgeting or financial planning and was often discussed in terms of personal actions or inaction and as responsible or irresponsible behaviour. The consequences of irresponsible behaviour were seen to include falling into debt, not protecting one's family or poverty in retirement.

Consumer responsibility in financial services part of broader social and industry change

Some consumer respondents felt that they were being asked to take on more responsibility for their own financial decisions and that this was part of a broader social change and was not unique to financial services. They are conscious that the Government is retreating from some social benefits, making the individual more responsible in the broader sense. Others saw the shift as part of the industry pursuit of short term profit and the intensification of competition in financial services. Several respondents compared the situation in financial services to having to take on more responsibility, for example, for personal healthcare decisions or for the selection of utility providers.

'We're being told constantly now that people must plan for their own future and they must have savings and they must prepare for their own retirement. So in a way the responsibility is placed firmly back on the individual but we've spent generations being nannyed along by the state, and retirement is a relatively modern concept in terms of pre-war, people didn't expect to retire aged 60. Their role within the family changed but then the social structure of the family unit has also changed. So I think there has been a huge social shift.'

Depth: female, older, lower income, more financially capable, Southampton

Two clearly different aspects of responsibility emerged

In discussions with both firms and with consumers, two clear aspects of responsibility emerged:

- The proactive sense of ***acting responsibly*** in relation to financial transactions and holdings, and
- The reactive sense of ***accepting responsibility*** post hoc for one's decisions or actions; specifically when things go wrong.

In an ideal world, both consumers and firms would ***act responsibly – i.e. there are shared responsibilities***. Consumers would then feel comfortable ***accepting responsibility*** for their decisions, knowing that both they and the firm had done their best to get things right.

'I think there is still an element of caveat emptor here from the customer's point of view.'

Depth: male, older, higher income, more financially capable, Leicester

'I know there's a lot of hoo-ha about the people over lending and they've done it to millions of people who are in the most dire straits but I think the responsibility ultimately is on yourself because you are the one taking on that loan.'

Group: female, younger, higher income, more financially capable

'It's probably true. We all do have a responsibility. I can't solely ever blame a bank or someone for anything that they have mis-sold me because you should be engaging actively in the decision, so everyone is responsible. Yes, it's our responsibility not necessarily to buy the first product we see, and perhaps not be so impulsive like me.'

Depth: female, younger, lower income, less financially capable, Southampton

'We hold all our responsibility sadly! The banks are not there to look out for us they are there to take money off anyone whenever possible'

Forum: male, younger, lower income, more financially capable

A surprising degree of (conditional) willingness among consumers to accept responsibility.

At the heart of this project is a debate about the 'blame and claim' culture that is seen to have developed in society more broadly and in financial services; with consumers being ever more willing to blame firms when things go wrong and firms blaming consumers for not taking responsibility for their own actions.

In spite of this, we found a surprising degree of willingness among consumer respondents to accept responsibility in principle for their actions. In other words not to 'blame and claim' if things went wrong with their decisions. However, as we explain below, there were important conditions attached to this willingness to accept responsibility.

It is when the conditions above are not met or, as it turns out, are falsely believed to exist, that consumers tend to feel that they are not obliged to accept responsibility for outcomes.

The willingness to accept responsibility is also heavily influenced by the experiences and attitudes we have discussed in the previous chapter and is conditional upon firms being seen to act responsibly, not simply in relation to an individual contract but more widely.

Consumers willing to accept responsibility where all parties act / are able to act responsibly

The circumstances where consumers are comfortable accepting responsibility tended to involve decisions where:

- They feel that they have been able to act responsibly (as described below);
- They have as full an understanding of what they are buying/arranging as possible either through their own efforts or where they have delegated the research and sometimes the decision to an adviser;
- They have a degree of trust in the product or service they are buying and in the firm they are buying it from or the intermediary they are buying it through; and most importantly
- They feel that the firm or firms with which they are dealing have themselves acted responsibly.

'I still think at the end of the day because the customer is forking out the money he must take most of the responsibility but I think probably not far behind is the firm or advisor giving him the information and making sure that he gets all of the information not just what suits them.'

Depth: male, older, higher income, more financially capable, York

'Firms have the knowledge, and they are the ones who are being regulated, so if needs be, it probably needs further regulation and further over-seeing to make sure that they are really taking the responsibility for their part. The problem still largely comes down to consumers and consumer education and knowledge.'

Depth: male, older, higher income, more financially capable, Leicester

'it seems to me we have to take responsibility for our actions as long as we are satisfied that the provider has done all he or she could to explain all things'

Forum: male, older, lower income, less financially capable

In today's world, most respondents felt that the conditions often do not prevail and that this is true across many markets. Consumers have strong views that firms are often not holding up their side of the bargain.

A broad consensus emerged on what constitutes consumers and firms acting responsibly

At the beginning of this project it was anticipated that there would be significant gaps between the role that consumers feel they should be willing to take on and the role that firms think consumers should take on and vice versa.

The findings suggest that this is not the case and that there are very few differences (or gaps) at an in principle/ theoretical level between:

- What consumers feel that they should be responsible for and what firms feel that consumers should be responsible for; and between
- What firms feel that they should be responsible for and what consumers feel that firms should be responsible for.

'I don't know, it's 50/50 [responsibility] I suppose…you've got some responsibility in knowing how much you should be able to borrow against how much you can pay back but then there's all these companies like Wonga.com, you see that they'll give you £1,000 then you pay back 1000% APR'

Group: female, younger, higher income, more financially capable, Leeds

While there are certain responsibilities that fall to one party or another, the division of responsibilities is often more nuanced. Consumers describe some responsibilities as shared between consumers and firms (and regulators). The most common examples given by consumers were in relation to consumer credit or mortgage lending where it was often felt that both parties had a responsibility to ensure affordability.

The table below summarises the broad consensus between consumers and firms on their respective responsibilities.

Figure 1: Broad consensus between consumers and firms on their respective responsibilities

	Consensus on what acting responsibly means for consumers	Consensus on what acting responsibly means for firms
Budgeting and planning	• Manage their budget • Regularly review their situation • Identify their needs • Understand their risk appetite • Devote time to planning, learning, understanding products	• Provide tools and generic information to support consumer • Provide guidance on needs and how different products meet those needs • Support regulatory and government education
Selling / buying products	• Research products available • Shop around for best deal • Honest disclosures • Read information (including T&Cs) • Take control of process or delegate • Understand benefits and risks • Make sure that product is right for you • Don't buy if you don't understand • Ask questions • Accept consequences of decisions	• Design products that most consumers can understand • Communicate product terms clearly and highlight key risks for consumers • Use information on customers to guide them to the right product • Help consumers find the right product for them • Don't hide important terms in T&Cs • Help consumers understand their responsibilities • Don't incentivise staff to sell but rather to meet consumers' needs • Identify and help vulnerable customers • Train staff well and employ suitable staff • Intermediaries / advisers – help customers get best product / value / price
Post sale / purchase	• Keep information secure • Respond to info requests • Honesty in claims / complaints • Review products occasionally / regularly • Switch / close if no longer suitable • Complain if provider / adviser not delivering to promise • Inform providers / advisers of relevant changes in circumstances	• Trust customers / consumers • Do not take advantage of consumer inertia / reward loyalty • Pay claims fairly • Put things right when mistakes made • Communicate changes clearly • Remind customers of risks and responsibilities • Be accessible when customers have queries

The following sections explore how consumers and firms describe their respective responsibilities and the broad consensus that emerged. However, in section four, we explain why this consensus breaks down in practice and the barriers to responsible behaviour in today's market.

Consumers acting responsibly should budget and plan their finances

We found that consumers expect a lot of themselves – typically, they would like to be able to act responsibly and generally they had a clear view on what good behaviour looks like and how this should play out over a lifetime of interaction with financial services firms and products.

To consumers, first and foremost, acting responsibly means managing your money. Managing money means living within your means, not borrowing excessively and paying back the debt that you do take on.

While parents, government and financial services firms are seen to have a role to play in encouraging responsible money management, and firms are seen to have an important role in lending responsibly, consumers generally accept that it is ultimately their responsibility to take control of their day-to-day finances or to live with the consequences of not doing

> *'Customers should be more controlled & responsible with their finances & live within their means!'*
>
> *Forum: female, younger, lower income, more financially capable*
>
> *'Yes, I'm not irresponsible. I'm responsible with the lending and borrowing that I've got, because I don't want to get so overdrawn …. I knew people that have got themselves in debt on credit card, with ridiculous amounts of money, I just don't understand how you could ever do that because, like £1000 takes forever to pay back, let alone £20,000'*
>
> *Depth: female, younger, lower income, less financially capable, Southampton*

so.

Planning for the future and protecting your family were less frequently mentioned but were nevertheless accepted by most respondents as a part of acting responsibly.

Ultimately, planning for the future is seen as an individual's responsibility and not something that anyone else can do for you. Planning means putting money away for the future, whether for unexpected events or for retirement. Some consumers recognise that, to do this effectively, individuals also need to spend time understanding their needs. However, the Government is seen by some consumers to have an important role to play in educating people on the need to plan for the future.

'I think people really should spend time on their money and I think that apathy, combined with the perception that it's difficult to look after your money, combined with lack of consumer education (which is a whole other conversation we could have), means that the British population just doesn't spend enough time on it. And actually with some simple tools and a little bit of application it's really not difficult to do it.'

Industry respondent

Firms agreed that consumers should devote time and effort to managing their money and financial planning but were often sceptical about their willingness or ability to do so.

Firms, Government and other independent sources should provide information and tools to help consumers budget and plan

While consumers acknowledged that firms could help individuals manage their money and, in particular, not take on inappropriate levels of debt, it was not to firms that consumers looked for help in educating themselves or developing a general understanding of finance. By far the most commonly named source of generic information and guidance was Martin Lewis, the 'money saving expert'.

'The government should let the younger age know more… there should be more explanation before we just go out and do it.'

Depth: male, younger, lower income, less financially capable, Southampton

'There is quite a lot that should be joint [responsibility] I would not lay full responsibility on them if they did not do it but I would think that it would be good for them to increase my knowledge, make me aware of any new products on the market.'

Depth: female, younger, higher income, less financially capable, York

Most consumers and firms felt that the role of firms in this area was largely limited to developing tools and generic information to support the consumer and guidance on how different products could meet different consumer needs. However, a minority of consumers would like to return to the days where their bank would take on a greater role in guiding and educating them rather than simply selling to them.

'The decisions will be mine, because it's my pension pot but basically I would listen to what he has to say. My experience of listening to independent financial advice has been that it has let me down.'

Depth: female, older, lower income, more financially capable, Southampton

'I think financial products are complicated, and I think financial products require a lot of time and investment. Certainly I have invested a lot of time and effort to understand what it is I'm buying. Something as important as pensions…. I would not just leave it to an independent financial advisor just to make all the decisions.'

Depth: male, older, higher income, more financially capable, Leicester

Consumers acting responsibly should research, seek to understand products and get help where needed

Consumers accept that acting responsibly should mean trying to understand what you are buying (reading the product information and the T&Cs), researching the options available and seeking out help where needed. Many respondents felt that the world where someone else will do this for you had largely disappeared. While some did have access to financial advisers, most respondents did not; some of these felt excluded while others were not willing to or interested in taking advice. Even those with financial advisers still felt a personal responsibility to understand what they were buying.

And firms have a responsibility to help consumers understand

Although consumers essentially have no particular desire to spend hours researching and understanding products, nevertheless they would like to understand what they have and what options are available to them. This is felt to be particularly important for more critical decisions like mortgages, life assurance and pensions and less critical for products with which they are more familiar.

'I think 'providing accurate, readable information' is important. But I think it has to be simple and not too much, because you end up with a ream of paper and you think, I've got time to read all this and I might even have to understand it.'

Depth: female, older, lower income, more financially capable, Southampton

'It was something they should have mentioned, that you are going to get interest after a certain amount of time, but then as I said, it's all in the small print. At 21, I didn't [read it]. I've changed now, if I did something like that again I would probably definitely read into it more. '

Depth: male, younger, lower income, less financially capable, Southampton

However, to help them with this, consumers felt that firms had a significant responsibility to provide clear and accurate information in language they can understand and quantities they can cope with; not to bury important details in their T&Cs and to ensure that marketing material did not overstate the benefits of a product nor understate the risks or deficiencies.

Very few respondents had any good experiences of this and many found it frustrating that important details were hidden away in detailed documents.

Firms broadly agreed with these responsibilities; some felt that they had achieved it but many felt that they had some way to go.

'... I think the industry has a responsibility to make sure that its communications are clear and in as plain English as possible, I think we put a lot of effort into that. '

Industry respondent

Consumers acting responsibly should ask questions and firms acting responsibly should provide clear and accurate answers

Consequently, acting responsibly also means consumers asking questions, being persistent and generally being switched on when dealing with financial institutions. Few consumers felt sufficiently well-armed to take on this role.

'If I've got a problem I will just go and ask someone and keep on at them until they solved my problem.'

Depth: female, younger, lower income, less financially capable, Southampton

In return, consumers expect firms to train their staff to be able to answer questions and explain products and to clearly disclose conflicts of interest, particularly where staff are being incentivised to sell particular products. Unsurprisingly, firms find little to argue with here.

Consumers acting responsibly should shop around and seek advice where needed

Similarly, shopping around is seen as a part of consumers acting responsibly. For many this would mean accessing information on the internet, asking friends and family for advice and for some, seeking formal advice. However, many respondents, while recognising this as appropriate behaviour, were unsure how best to go about it.

Some respondents also recognised the role that shopping around plays in keeping firms on their toes and ensuring that they get the best deal.

Firms acting responsibly guide consumers to the right product

Although consumers generally accepted they had these responsibilities to be active when assessing and buying products they also believe that responsible firms would help guide them to the product that is right for them, although they acknowledge that firms may not always know enough about them to achieve this. Some consumers were more adamant than others that firms had a responsibility to help in the evaluation of different products.

Additionally, some were concerned that the more vulnerable consumers in society would be less able to take on their responsibilities and that firms had a responsibility to identify and provide more help and support to those consumers.

Many firms broadly agree that they can and should play a role in guiding consumers but industry respondents almost universally expressed frustration about their ability to achieve this in the current regulatory environment. Only financial advisers felt empowered to take on this role while provider firms that relied fully on third party intermediaries (whether aggregators, platforms or financial advisers) were much less inclined to feel that they had a role to play here. Intermediaries who were not providing regulated advice tended to feel that they could go so far in providing tools and support material but some would like to go further in steering consumers towards suitable products. This issue became one of the central themes in this study and is one we return to in subsequent sections.

> *'Well if you go back to my example, I could help them with what investment to choose, but I daren't, I daren't, I daren't even put some personalised guidance in. Some firms are trying it and given the way the Rules are it's very risky in our opinion. I daren't even put some sort of guidance structure on the web site, where I say 'look here's a series of personalised questions you can answer and we will give you a potential investment.' Can't do it. Advice. Personalised advice.'*
>
> Industry respondent

Firms acting responsibly should treat all customers fairly and equally

One subject that united all consumers was the subject of firms' treatment of existing customers. Firms are felt to have a responsibility to treat all customers fairly and equally and this applies particularly to the issue of differential pricing for new and existing customers. Almost without exception consumers felt that this behaviour was not the mark of a responsible financial services firm, although they recognised that it was common in other industries. A minority of consumers recognised the difficulties that firms might have with treating all customers the same.

> *'It feels like you are being cheated because if others are getting a full package for £40 and you are paying a full package for £70, they are £30 better off than yourself and I don't think it's fair at all. Why should one person be treated differently? We should all be treated equally.'*
>
> Depth: male, younger, lower income, less financially capable, Southampton

While firms generally accept that it is their responsibility not to take advantage of consumer inertia and would like to value their loyal customers, many recognise that they are caught up in a competitive market model that is hard, if not impossible, to break out of unilaterally and that there are consumer benefits from firms competing for customers.

Consumers acting responsibly –monitor and review their finances and keep their data safe

In terms on on-going responsibilities, consumers readily acknowledged that it was their responsibility to keep their information secure. They also see firms being responsible for keeping their side of the bargain in terms of security. Firms were also understandably keen for consumers to be responsible for safeguarding their financial information.

Most consumer respondents saw it as their responsibility to monitor their financial products, although ideally not too frequently. However, they also felt that firms had a responsibility to keep consumers informed about changes to their products and ideally flag up where consumers should be making changes to their products.

Consumers also accepted that acting responsibly would involve continuing to pay premiums, pay back their loans and other credit, and continue to contribute to savings or pensions. They also feel that they should be honest in their claims and complaints about firms, although as we discuss above, some currently feel that the industry is fair game given its recent history.

Concept of responsibility more comfortable for some consumers and in some markets

While consumers were clear about what acting responsibly should look like, in practice few consumer respondents described their own behaviour in such clear terms and some firms acknowledged behaviour that fell short of this ideal.

Circumstances in which both respondents and firms felt most comfortable with the concept of responsibility included:

- Some, although not all, consumer respondents who had used independent financial advisers and financial advisers themselves described their relationships as meeting the conditions for the consumer accepting responsibility;
- Some buyers of general insurance products were entirely comfortable with the process of shopping around and with the behaviour of firms;
- Investment firms felt that typically both they and their customers acted responsibly. However, consumers' experiences were more mixed (although the sample included only a few customers of investment firms).

However, in many other cases, both consumers and firms participating in the research described scenarios where either or both parties acted irresponsibly.

'I tried to be aware of financial products and services as much as I can .. (but) this is asking a hell of a lot of a lay person. You go to these firms and you should be looked after and given the right product for your needs'

Depth: male, older, more financially capable, York

'I had come straight out of uni where I just about washed my clothes let alone made major financial decisions.'

Forum: male, higher income, younger, less financially capable

While most consumers appeared willing, under the right conditions to accept responsibility, a few were unwilling to consider accepting any responsibility in the current climate. In the main they were young, had low levels of financial capability, were inexperienced and at a loss as to how to engage with the industry. A few had recent bad experiences which were shaping their attitudes.

Some consumers felt that accepting responsibility might be easier in some markets than in others. In complex markets (e.g. pensions) or markets where engagement was infrequent (investments, mortgages or life assurance) consumers felt particularly ill-equipped or vulnerable and therefore less able to accept responsibility. Accepting responsibility was an easier concept in markets in which they frequently transacted or which were felt to be simpler. However, even here there were felt to be many barriers to accepting responsibility.

As well as general variations by market, consumer respondents themselves also differed widely. Thus, while some respondents take a very active, self-directing role even in complex areas such as their pension and investment arrangements, many found arranging even the simplest of products very difficult. Also, some respondents could be self-directed in some, more-familiar product areas but lack confidence in other, more-seldom encountered or complex sectors.

Broadly consumers are more willing to accept responsibility for their decisions when they are confident that their decisions are based on as full an understanding as possible. Therefore, product complexity (in the eyes of the consumer) and the availability of easily digested/compared product information plus their own financial capability and the time available for such deliberations are key influencers of whether a consumer feels willing and able to accept responsibility

Where the product is perceived to be complex, the information poor or inaccessible, the consumer has low financial capability and time is short, they expect greater support the provider (or adviser) to take on more of the responsibilities for ensuring a good outcome.

Where they are more capable and confident and have less time pressure and the product is simpler and offers more easily compared, then they themselves are happier to take fuller responsibility for the outcome.

Consumers have varied strategies for accepting responsibility

While most consumers had a desire to act responsibly and to accept responsibility for their actions, three distinct typologies emerged in terms of their way of coping with this.

> *It gives you pages and pages of terms and conditions and you just tick to say that you have read it.*
>
> *Depth: female, younger, lower income, less financially capable, Southampton*

Many fall into a category best described as **'hope for the best'**. They feel unable to take control and act responsibly and fear that firms are not acting responsibly. They reluctantly agree that they might have to accept responsibility if things go wrong, in terms of having to bear any negative consequences, but hope that the regulator or ombudsman might step in to help. A small, but possibly growing, sub-group of this typology feel no compunction at taking compensation even when they have been irresponsible and seem determined to penalise the industry for their perceived (wider) wrong-doings.

> *'It's just so boring. Something you know you have got to do and it is something that you always put off and put off and put off. '*
>
> *Group: female, younger, lower income, less financially capable, Leeds*

Some, particularly but not exclusively younger consumers, respond to firms' behaviour and their own inability to negotiate financial services by **minimising their engagement** and buying fewer products. They understand that there may be negative consequences for their financial well-being but reluctantly accept that responsibility.

Some, a minority of respondents, felt able and willing to **take control** and to act responsibly and accept responsibility for their decisions. Delegating some of their responsibilities to financial advisers was a solution for some of this group. Others made extensive use of the internet and other informal sources of advice to help them navigate. These tended to be either older consumers with years of experience and higher levels of financial capability or younger, more technology literate consumers.

> *'It's your money, you should be caring for it and you should be looking after it. So ultimately the responsibility is you because that's your money and if you are investing in something, you've got to make sure that it is right.'*
>
> *Group: male, older, lower income, more financially capable, London*

Firms hope for consumers to accept responsibility but recognise the challenges consumers face

The tone of the discussion among firms was mixed with many wishing that the consumer would accept more responsibility for their actions but many feeling a great sense of their own responsibility in facilitating that outcome.

One respondent described the potential danger of consumers becoming ever more dependent on others if responsibility is not placed on consumers.

> *'You do also have people who are absolutely fine filling in a form and everything else but don't actually have any intention of repaying you if they do get granted a loan and most of time we'll sort that out.'*
>
> *Industry respondent*

While a minority of firms felt that caveat emptor should apply, the majority focused on the difficulties faced by consumers in navigating their way through financial services markets.

> *'If you make it really easy for consumers so they have no responsibility, they will do less and less …. and the situation will get worse. There needs to be some responsibility on consumers to do their own thing'*
>
> Industry respondent

The research highlighted some differences between market sectors. Banks tended to feel that it was difficult hold consumers responsible until they have put own house in order by reducing complexity, learn from past misselling / over-selling, re-training staff and taking more responsibility for suitability (but without full liability).

Some firms operating in consumer credit markets felt that while it is the consumer's responsibility to provide full and accurate information the onus for suitability and affordability then falls on the firm. The consumer would bears the consequences if both parties have acted responsibly and things still fail. Firms were also able to point to clear examples of where consumers had never intended to act responsibly or to accept responsibility for their decisions, principally in the area of consumer credit.

In insurance markets, it was felt that the focus on price was causing real problems and that there was a need for more help to consumer through the use of standardised terms.

Some investment firms expressed the view that with products being highly regulated, consumers should either accept full responsibility for their decisions or seek advice. Intermediaries and advisers operating in this market see part of their role as filtering toxic and inappropriate products. Some investment providers and intermediaries would like to be able to offer some help, guidance or reassurance to consumers than they currently feel able to give.

Some firms operating in the pension and retirement income space expressed concern about the growth in self-direction, felt that it was unrealistic to expect consumers to understand some products and that they had a responsibility to do what they can to help. Some described using segmentation to try to steer the 'right consumers to the right products' but were concerned that this is bordering on regulated advice.

More common ground than gaps but barriers still exist

The research for this project served to highlight that, subject to certain conditions which do not exist in full in today's markets, consumers feel that they should accept responsibility for their decisions and act responsibly in making them. The research also found a broad consensus on what acting responsibly looks like for firms and consumers. However, firms recognise that they have not always acted responsibly in the past and consumers' acceptance of responsibility is conditional on firms doing so in the future. It is also conditional on consumers feeling able to make responsible decisions which many currently feel ill-equipped to do.

In the following section, we explore the barriers that currently exist and need addressing in order to create a world where consumers feel able to accept the responsibility.

Responsibility: barriers to acting responsibly

In the previous section we described the broad consensus between customers and firms on both accepting responsibility and the components of what acting responsibly means.

Unfortunately, while both customers and firms would like to make progress towards each acting responsibly, there are many barriers that currently prevent this happening.

The barriers flow from and centre around a number of inter-linked issues:

- Firms adopting business models that are perceived not to support the consumer;
- Impenetrable disclosure documents;
- An over-supply of product, complexity and excess information;
- A move towards technology services that prevents many from engaging effectively;
- A lack of effective help, guidance and advice for consumers;
- Consumers' inability to navigate markets, a fear of engagement or an unwillingness to engage with the industry;
- Regulatory policy which is seen to limit firms' abilities to support the consumer both at an appropriate cost and in a way that limits the firms' liabilities.

These barriers are preventing many consumers and some firms from acting responsibly and are an obstacle to consumers accepting responsibility for their own decisions.

Outlined below are the barriers that consumers and firms describe as preventing them from acting responsibly and/ or taking responsibility in today's markets. The barriers fall into three broad categories:

- Barriers that derive either from the ways in which individual firms do business or how markets operate, which sometimes drive firms to act in a manner that consumers do not consider responsible and sometimes inhibit the ability of consumers to act responsibly (and, in turn, to accept responsibility);
- Barriers that flow from the behaviour and capabilities of consumers which prevent them from acting responsibly and which are not mitigated by firms or the market;
- Barriers which firms describe as stemming from regulatory policy and rules that prevent them from helping consumers act responsibly.

The three sets of barriers are often interlinked.

Firstly, we look at barriers to responsibility deriving from the behaviour of firms and markets.

New competitive models require more of consumers in research and decision making than they feel able to give

Consumer respondents reported seeing the financial services industry recently move away from a services business model and embracing practices more associated with the retail sector. Some firms echoed this referring to 'the shift to retail'. At its best this was seen to have positive effects such as keen pricing but was more often seen to have negative impacts such as:

- Firms and their staff being excessively sales oriented and putting pressure on customers to buy;
- An increasing number of products being available; the lifetime of products shortening and increasing product complexity designed to differentiate offers;
- A move away from relationship management and the adoption of pricing policies that encourage promiscuity.

For consumers this results in their:

- Being offered products which rely on the consumer working out whether it is right for them;

- Having to devote more and more time to product research;
- Struggling to understand and differentiate products;
- Reducing the complexity by resorting to price as a simple way of identifying the best product;
- Feeling unable to take on their responsibilities for ensuring that they only buy products that they understand and which meet their needs.

Firms focusing on new business at the expense of relationships

In what consumers perceive to be the new market model, a firm is only as good as their current offer (rather than being judged on the basis of a relationship or previous experience) and firms have to shout louder and much more often to be heard at the right moment. Many consumer respondents were unhappy with the consequential style and frequency of communications, and with the pressure exerted by firms' sales teams. Consumers argued they were too often treated as 'targets' and felt exposed to over-selling.

'Some of the sites hound you, if you put your contact details in and you are just looking … then it is just do you want to buy, do you want to buy, do you want to buy.'

Group: female, younger, higher income, more financially capable, Leeds

'Sometimes customers feel under pressure to buy products they dont need by being given the 'hard sell' or they are made to feel like they need a product when in reality they dont!'

Forum: female, younger, lower income, more financially capable

'It's like, we'll sell you this mortgage but you have to have this, this and this for the mortgage to work for you. Well that's not the case.'

Depth: male, younger, higher income, more financially capable, Leicester

'I went in to put some cheques into the [building society] and the woman said to me, oh, I see that you're entitled to a credit card here. And I thought, oh yes, because they are always trying to sell you something over the counter, and at first I thought, oh for goodness' sake. Anyway she said, it is actually quite a good deal… I'm not an impulse person, but she was very nice, and I trusted [them] because they are a building society, they are not a bank.'

Depth: male, older, higher Income, more financially capable, London

The impact was felt most keenly among the less financially capable but was identified as a problem for all consumer segments.

Older respondents in particular felt that the industry was loading the consumer unfairly and unequally with more and more responsibilities as it moved from a relationship, long term revenue and individual solutions-oriented approach to a mass market, consumer choice-oriented approach. Younger respondents argued many of the same points.

Whatever the truth of past relationships, there was a general perception amongst consumers that choosing and buying financial products and services had become unfairly difficult for them, and that only the very interested, the very wealthy (and therefore the heavily supported) or time-rich could afford to research, choose and buy wisely.

Appropriate guidance and advice lacking for consumers

Those consumers who could consult advisers were more sheltered and, generally, the advised talked about the process in a different, more positive way.

However most respondents perceived that appropriate advice and guidance was not available to them or that asking for help would invoke sales pressure rather than appropriate help to find the right product for them.

An overabundance of products, increasingly complex or hollow products and an excess of information prevent consumers from acting responsibly

There was a strong sense amongst consumer respondents that there were just too many products to research and consider realistically. Consumers also argued that products were becoming increasingly complex with the addition of more peripheral features designed to distinguish the product in the market place. They reported being confused and sometimes annoyed by the offer of products which were either very similar, or were distinguished by something they didn't understand or value. The end effect of multiple offers across firms was to push consumers into over-simplified, 'drawing-pin on the page', sometimes illogical choices. Certainly they didn't feel that they had a chance of making a considered, wise choice. In this context, cost was becoming the main, often only, point of comparison and meant consumers struggled to accept responsibility for the choices they had ended up making.

Consumers were also unhappy that in order to compete on price, firms were cutting features and benefits. Some accused firms of doing this surreptitiously, burying such changes and quality depletion in longer T&Cs documents, and omitting to mention them in upfront marketing material. Most argued that such feature-stripping made it more difficult to compare products realistically and therefore to act responsibly.

Encouraging promiscuity and some pricing policies viewed as irresponsible behaviour

Intuitively, many consumers felt that having long term relationships with suppliers is akin to behaving responsibly and that jumping from deal to deal isn't. However, often they can see that their 'loyalty' patently doesn't reward them with the best deals. This leads to an unresolved state of conflict and confusion within some consumers, more especially the older and less engaged groups.

Introductory offers were widely felt to be unfair, and encouraged customers into the arms of new firms, rather than staying with a firm they were comfortable and happy with – and with whom they often felt they had been in a relationship. This practice ran contrary to their own values, to their expectations, and to what they judged good business sense to be.

Consumers also disliked a lack of clarity and certainty in pricing, particularly in relation to general insurance products where they reported haggling leading to improved offers. Again this was cited as evidence that firms weren't treating the serious business of finances appropriately. As part of a general wish for simplicity over complexity, all would prefer the pricing of financial services to be straightforward and transparent especially where the product is at the simpler end of the scale.

'I have had a bank account since I started work and to be honest I had never done anything with it.. so they offered me this account and it had benefits but there were not any benefits that I did not already have as separate things .. but I looked into it and we went with it for a while. In fact, we had it a couple of years. Then they came back and said that the criteria had changed and they wanted to charge us for it. It was one of those things, you get into a habit and apathy takes over really .. I came to the conclusion that .. they really frankly could not give a toss whether I was a client or not '

Depth: male, older, higher income, more financially capable, York

'People are becoming more savvy and it is becoming easier to change provider. Firms offer all sorts of offers to new customers but I feel very ignored once I am with them.'

Forum: male, younger, higher income, less financially capable

'We were brought up to be loyal to stuff like that (financial services firms). It's a mistake, I know.'

Depth: male, older, higher income, more financially capable, York

'I think, if you can give me that price, why did you not give it to me first time. Why are you just ripping me off?'

Group: female, younger, lower income, less financially capable, Leeds

Firms acknowledge that competitive forces are having some perverse effects

Some firms view the emerging business models as an inevitable consequence of competition and a 'free market' and feel it will be self-balancing eventually. These firms argue that they provide choice to consumers and that to restrict the scope for variation and innovation would be deleterious overall. Thus, they defend the right of firms to offer 'hollowed-out' products and of consumers to choose them.

Turning to pricing they maintain that offering lower rates to new customers is simply a form of cross-subsidisation that is practised by firms in many sectors.

'You will find groups of customers who shop around less than other groups and therefore if you like get less value. There are cross subsidies in other words but those exist in all markets. Is that really customer detriment or is that actually customer choice?'

'We have gone as far as we can afford to close the gap between the front book and back book … to avoid some of the more cynical tactics where upfront bonuses just disappear and you do not even get a letter to tell you it has gone. ….. there still has to be a gap but we do try and moderate to a degree.'

'Difference in the front and back book pricing , it's disappearing over time or it's being remodelled and changed over time because consumers .. are therefore becoming more informed, they are becoming smarter buyers and that's how markets work. Is that a failure of the market?'

Industry respondents

They also argue:

- That there is an inherent value to customers to not having to shop around and transfer and this should be reflected in the price they pay (i.e they should pay more)
- It is an inevitable outcome of a competitive market and if firms were not permitted to behave in this way the result would be less innovation

Extending this further, some take the view that consumers are becoming alive to such practices and, actually, that they now encourage shopping around and greater activism.

However, more firms agree with consumers and would like to see changes towards a more mutually beneficial and longer term outlook. Among these participants there was particular concern about trends towards hollowing out in order to compete on price alone and on the reliance on consumer inertia resulting in major differences between front book and back book pricing.

There was also recognition that much of growth in complexity had been designed for their benefit rather than that of consumers and that, increasingly, consumers were aware of that and resented it.

Although these firms agree that competition is having perverse effects and some would like to reward loyalty, current competitive pressures mean that this is often not possible to do so unilaterally and those that have tried to take such a stance, have suffered for it in terms of their share of new business.

New technology has resulted in too much information being available for many to act responsibly

For some consumers, the ease with which comparison sites in particular allowed them to identify and secure the best deals, particularly in general insurance, gave them an enjoyable sense of control in the process and aided their ability to act responsibly.

However, technology, a heavily promoted advantage of the new market model, was more widely felt to provide excessive information, rather than support consumers in the process of understanding. Thus, many who tried to make a rounded decision, based on all relevant factors, felt that the internet overloaded them to the point of indecision.

'All I do know is that my car insurance and my home insurance and stuff is one quick quote on stuff like Money Supermarket, where you get a big range and it will show you roughly your top payment and the bottom end of what you can pay, and if I am paying around that (the bottom end) then I am happy, but that at least tells me I am not being ripped off and not paying too much..'

Group: male, younger, lower income, less financially capable, Leeds

'And what you tap into the Internet all the time and search to see like different ones giving you this bit, it's a bit confusing sometimes, and I have not purchased yet.'

Group: male, older, lower income, more financially capable, London

Firms argue that the shift to digital is inevitable

Firms recognise that many consumers, especially the less capable and most in need of advice still prefer face-to-face servicing. However, they argue that face-to-face service models and sales channels are too costly unless the customer is a high value one. They are also focusing on technology-based solutions and withdrawing from advised sales. They accept this makes it harder for some consumers to engage.

However, interestingly, other firms suggest that the growth in digital channels can actually help to solve some of the problems concerning delivering meaningful information to consumers with which they will be able to engage. Examples given include the ability to deliver more interesting content and to do so in a customised fashion. Firms in the investment sector also argue that evidence is growing that consumers are becoming more comfortable using digital channels; although many of the consumer respondents to this project did not feel that level of comfort.

> *'This business is much more digitally-led in terms of its distribution than maybe many of the other players in the market. … And actually it's a potential solution to some of these issues as well I think.'*
>
> *'There's a world of digital information there that makes it much easier for people to do a bit of research and find out about products …. If you talk to Google the amount of search activity on investment products and pensions is growing exponentially … so we know that consumers are looking at this.'*
>
> *Industry respondents*

At the other end of the scale, those firms dealing predominantly with more vulnerable and/ or less affluent consumers agree it is particularly important with that group to be able to invest the time and money in face-to-face support.

There was also a warning from firms that the switch from traditional form signing to purchasing online might be contributing to consumers taking less responsibility. The feeling is that clicking a box online is easily done with less thought and less feeling of commitment than receiving a form in the post and then signing and returning it.

> *'The question for me is what is a fine-toothed comb when it comes to a document like that? You read it but then you understand the first sentence and then you don't understand the next ten, then you come across another sentence which you understand and the next you don't. I sometimes think, are these things in there to confuse you?*
>
> *Depth: male, younger, lower income, more financially capable, Leicester*
>
> *'Terms and conditions are long, confusing and very hard to read. Most people, if we are honest, don't read them! We know we should but we only read the relevant bits and certainly not the very, very small print with asterisks at the side! These should be more concise, easier to read and condensed much more. When you want a product…you are trusting these people to tell you that this is or isn't the right policy to suit your needs … by asking customers to take on some or all of these responsibilities feels to me that, should something go wrong and you speak to them, they will turn the onus on you – 'you didn't check the small print'.'*
>
> *Forum: female, younger, lower income, less financially capable*

Impenetrable and one-sided T&Cs seen as irresponsible behaviour on part of firms and a barrier to acting responsibly

Participants consistently argued that product information in general and T&Cs in particular have become almost functionless from their perspective, yet realise that they are likely to be enforced in the case of any dispute arising.

Almost no-one claimed to read them and the few that do are left largely none the wiser. Typically they are regarded as jargon-filled and infused with legalese. The small font layouts and the sheer size of many of these documents also prevent the communication of even the most essential features, exclusions and charging regimes for even the simplest products.

Faced with this situation, consumers reported feeling it not worth their while to read them and so not possible to complete product applications fully and properly. They recognised this as irresponsible behaviour but tended to hope that things would turn out alright for them or, for the more aware or cynical, that the ombudsman might side with them if they didn't.

Firms recognise that information is often not provided in a form that aids consumer responsibility

In relation to the major issue of accessibility of products and the (mis)use of T&Cs, firms acknowledge problems and would like to make improvements. They fully accept that the industry has a responsibility to make sure that its communications are clear and in as plain English as possible.

Many feel that they are making good efforts in this area and are committing very significant resources to doing so.

'I think the success is for us, definitely us, it's blindingly obvious but I'll say it anyway. It has to be around about making things simple.... It is literally by simplifying the language.'

'Some of the previous attempts around regulating has in some places actually increased the complexity. If you've ever tried to enquire about a mortgage and read your KFI, your KFI illustration, it's even difficult to me to read and I've been doing this for thirty years.'

'And we have spent tens of millions of pounds over the last few years on quotes and keeping them compliant .... It's a personal view, to my mind the illustrations are totally useless; they're 100% accurate but totally useless.'

'it is not beyond the bounds of a digital channel that allows the customer to run a few scenarios that says so what if your circumstances change within the next period. So let's just say interest rates go that way or you lose your job or you need ..... there's nothing that would prevent every institution from having on their digital website something that could start to model that from'

Industry respondents

Consumer behaviour and capabilities also create barriers to acting responsibly

Lack of engagement is also a significant barrier preventing consumers from (consistently) acting responsibly. 'Lack of consumer engagement' though, should not be seen as simply a lack of interest, a failure to see the importance of financial products and services. On the contrary, the right products and services, responsibly chosen, often played a crucial role in respondents' lives and, therefore, are a matter they feel they should engage with seriously and responsibly.

'… when you know you are going to make that decision [buying a house] you are prepared to put in a lot of research because it's such an enormous thing.'

Depth: female, younger, lower Income, less financially capable, London

'Your house for most people is the most important and expensive thing you will ever own so you really need to take the time and be very sure that any policy you buy is the right one for you.'

Forum: male, younger, lower income, more financially capable

However, there were a number of factors undermining their ability and inclination to do so including a fear of engagement, a lack of financial capability and of interest in financial matters.

There is a frustration among many firms that consumers do not engage more fully in their financial planning. But there is also a recognition or belief that this simply won't happen. This includes an acceptance that it is the natural inclination of consumers not to spend more time and energy on their finances.

Fear of engagement stops some consumers from asking for help

Some consumers described having an active fear of engagement with financial services .They listed the very many possible poor product outcomes, or hypothesized that they will make a big mistake in their choice with very bad consequences for themselves and possibly their family. They worried that their lack of knowledge and interest would leave them open to being 'ripped off' by firms, and their language could be very fatalistic and passive. Some even talked about not being able to win when in dispute with a financial services firm, and certainly there was a general feeling that firms were much more in control of the process than consumers.

Lack of financial capability prevents consumers from planning their finances and making responsible decisions

'You can only do so much [research yourself]. Life insurance, you are only going to know so much about that product.'

Group: female, younger, lower income, less financially capable, Leeds

'Lack of personal financial knowledge stops most people feeling that they can make a fully informed choice. Yes you can research on the Internet but it still isn't a fully informed decision. Banks and financial firms are notorious for misleading customers.'

Forum: male, older, lower income, less financially capable

'The industry needs to make it simpler. The language is so complicated that it's a minefield for consumers. It's almost like they keep it complex so that the average Joe needs to call on the services of financial advisers to get things sorted.'

Forum: male, older, lower income, less financially capable

In all but the rarest of cases, respondents were only fleetingly and sporadically involved with many financial products and services. The combination of product complexity, firms' reliance on written descriptions, the regularity with which products and services change, and the irregularity of the need to choose some products meant that consumers felt under-qualified, and if not 'financially incapable' then 'financially unreliable'. Their descriptions of products and services they were happy with all too often was couched in the language of their having been 'lucky' or that they'd 'stumbled across' the right/ best product.

When prompted consumers consistently talked about how difficult it was to become better educated, better briefed and better placed to act responsibly and to properly engage in the process. Even in the context of self-help they felt that there were few useful, independent, professional and trustworthy sources they could use.

'I think we generally vastly underestimate how savvy the British public can be, if they are allowed to be it.'

'It's a long game, isn't it, the financial education thing. Even if you kick it in now it's what twenty, twenty odd years'

'I think that if you're dealing with a group of customers who by their nature are likely to be much less competent, confident in managing their finances, you really should have a duty to show that you're going further than you would do with a different sort of customer.'

'The difficulty I think with the whole consumer understanding piece and responsibility is where it is not advised so then I think that is more tricky because surely every consumer going out to buy a product, my view would be, they have to take some responsibility for what they are about to do.'

'From the customers point of view I think they need to understand, they need to make sure that they are comfortable and understand what it is they are being told or being articulated to them, if they do not to raise questions.'

'So if they are coming to our savings plan, or CTF through a platform, that documentation would have to be on the platform and accessible. Whether the investor clicks on the icon and opens the PDF is another matter. There is nothing we can do about that. That is [up to] the investor.'

Industry respondents

Firms recognise that consumers lack capability and understanding of financial services.

Against this background, the argument was broadly accepted that unadvised consumers could not truly be held responsible for their decisions in respect of products they could not understand.

Those firms that accept there is a significant problem with regard to consumer capabilities also recognise that it will be a long-term issue to address.

Firms also differentiate between types of consumer and purchase channels and are particularly concerned about how to handle more vulnerable consumers and those purchasing more complex products on a non-advised basis. Some see these as areas where the industry has to take on more responsibility.

However, others, whilst recognising the problem, feel the onus rests with the consumer to address it and to raise their level of knowledge. The investment sector was strongest in arguing that in the case of a failure by their clients to engage the responsibility lay firmly with the consumer.

Lack of interest prevents some from acting responsibly

Consumers generally felt that given how difficult, time consuming and complex financial products and services could be, it was an unusual person who looked forward to renewing, reviewing, monitoring, or choosing bank accounts, savings, insurances, or even more off-putting, long term investments, pensions, mortgages or other borrowings.

Consumers also admitted to avoiding or minimising engagement because of a perception that they won't be able to afford what they need, or had a reluctance to go through their needs because they suspected it would expose a poor financial picture.

Firms' behaviour creating a generation of consumers who feel they need to 'game' the market

For some within the sample the lack of clarity on pricing, together with the movement firms make on price only when challenged, represent a glimpse into their inner-workings and a natural assumption that, perhaps, all firms operate in this way across all products. Furthermore, it tends to suggest that the information that firms ask for is only loosely related to the pricing of the service. This seems likely to further encourage the practice of consumers adjusting the information they provide, especially through comparison and quotation sites, to see what effect this has on pricing and then plumping for the cheapest specification.

'What I always try and put is as low an amount as possible because I know it increases the cost of the policy. I do know that, if say my house burnt down tomorrow and they assessed that – what I was then claiming for and it was in excess of that, they can refuse to pay you out, if you are not insured for enough'

Group: female, younger, higher income, more financially capable, Leeds

'If a firm is open and honest with me, I'll be open and honest back. But if I feel they are trying to get one over me, I'll be awkward and play them at their own game.'

Forum: male, older, higher income, more financially capable

If the message from the industry is that we will try to charge you as much as we can (and more if you're an existing customer) at every opportunity and it is up to you to be sufficiently street-wise to combat that, it's not surprising that some consumers are rising to that challenge – i.e. simply doing whatever they have to, to get the best price. Thus some, possibly many, among the younger age group, are 'gaming' product application processes, especially in general insurance markets, with often unrealised consequences.

However, the attitude extends beyond general insurance and pricing issues to a broader view among consumers that where firms don't act responsibly or treat customers well; consumers have to play them at their own game.

Regulation is seen as preventing firms from offering the support consumers need and want

Many firms expressed concern that the current regulatory structure was leaving an increasing proportion of consumers unsupported by not providing 'guidance'/ advice options other than full regulated advice which for many was either unnecessary or unaffordable. Moreover, they emphasised that this was happening at a time when very significant changes, not only in the financial services arena, were increasing the responsibility on consumers to take their own decisions and assume more responsibility.

'I agree we've opened up a big void in the market I think it's critical for society and consumers that we solve that gap because .... it's only if we do that that we can raise the education, the whole advice space it used to be the man from the Pru, the man from the Pearl, educated a mass market of people into financial services and good financial practice, we've destroyed that'

'I don't think there is any appetite amongst Regulators or the Government for a safe harbour for financial services companies given what they've done over the last few years but if you really get down to the nub of how do we help people, we are severely constrained by the fear of giving advice.'

'We've created a situation haven't we whereby I can provide financial advice for nothing as a completely unqualified individual via Facebook, Twitter, wherever on line... sit in a branch faced with a customer who says is this right for me you know in a straightforward situation should I have contents insurance, I don't actually own the building, should I take this ISA out or not or should I just invest, it's obvious yes you should take the ISA but you can't say that. It's a crazy situation where we've over-regulated the advice space'

'But if you really get down to the nub of how do we help people, we are severely constrained by the fear of giving advice'

Industry respondents

Thus, they recognise a need for many consumers to get guidance that they feel unable to provide in the current regulatory environment. Their major concerns are the difficulty of offering some form of guidance which is not, nevertheless, regulated advice. They recognise consumers want this and feel that current regulation has resulted in a major, and important, gap in provision. Commenting on consumer preferences, one firm noted:

Firms feel it costs too much to provide advice to all but the wealthiest few and that there are significant regulatory restrictions and risks in doing so. Therefore, few do. This leads to bizarre situations where a customer is sitting in front of a member of staff and asking for advice/guidance and the member of staff feels compelled to say that they cannot offer any.

Such views were not unanimous, however, with some opinion in the investment sector that the best route was for consumers to be very clear that they were not being advised and to make their own decisions whether to seek such advice.

Regulation is seen to be hampering effective communication

Firms feel that, despite their best efforts, often they cannot provide acceptable and useful documentation, frequently as a result of legal and regulatory compliance issues. Regulation is felt to dictate information which is too lengthy and unlikely to be read or understood. It mandates the supply of information that is of little or no use to the consumer which, in turn, has the unintended consequence of rendering more important information less accessible. Consumers appear to switch off to what they see as the 'white noise' of scripted risk disclosures or regulatory statements.

Firms see regulatory change as essential to help them break down barriers to consumer responsibility.

From the firms' perspective the need for changes in the area of regulation was a topic which united all sectors. Three key aspects emerged:

- A change in the behaviour of FOS, and its interaction with the FCA and its rules. It is felt quite widely that FOS is making rulings which now err far too much on the side of the consumer and which are penalising firms who, to their mind, had acted fully in line with the law and rules as they understood them at the time
- A perceived need to revisit, quite fundamentally, the regulation on advice and guidance to enable firms to offer greater support than they feel able to do at the moment to their customers
- A reassessment of the requirements in the area of information provision.

In the next section of this report we explore how consumers and firms felt that these barriers could be overcome to help both parties act more responsibly.

Responsibility: breaking down the barriers

The views of respondents on potential solutions to breaking down the barriers identified are summarised below.

Unsurprisingly given such a complex subject, that has been considered and analysed for many years, no simple or single solution becomes apparent from the analysis.

However, a mix of solutions initiated and supported by the industry and facilitated by regulation are identified that could lead to shifts in both behaviours and perspectives on responsibility.

Neither consumers nor most firms felt that the first move to solving the issue of responsibility could be placed at the door of the consumer.

The solutions that respondents suggested would help most in breaking down the barriers that are preventing consumers from taking responsibility included:

- Firms addressing the practices that consumers identify as barriers to engaging responsibly
- The standardisation or simplification of some products through the removal of extraneous features;
- Clearer, briefer and more standardised information written in terms that consumers can understand and a better fit between the information contained in marketing material;
- The provision of more guidance and support to consumers in helping them find a good product for their needs that does not cross the regulatory boundary into full advice ;
- The education of the younger generations in financial matters and a more accessible and effective Money Advice Service.

Having set out the reasons why consumers and firms find it difficult to act responsibly and/or accept responsibility for their actions, we examine below the solutions put forward by consumers and firms to resolve the issue.

The programme of research among consumers and firms uncovered a number of spontaneous views on how the barriers to responsibility could be broken down. A small number of prompted solutions were also evaluated; in more detail with consumers than with firms who tended to be more familiar with the debates around simple products and simplified advice and therefore raised these issues without prompting. While the research did not extend to a full evaluation of each of these, the solutions put in front of consumers were as much intended as a stimulus to discussion and debate as they were genuine solutions. We were as interested in the quality and nature of their response as much as their simply ranking their most preferred. The prompted solutions tested (details in appendix two) included:

- Simple (or standardised) products
- Fully comprehensive products
- Simplified advice
- Full advice
- Nudges

While there were many examples of ways in which consumers felt that firms could fix the problems identified in the earlier sections, we have grouped the solutions discussed into five broad categories:

- General thoughts on how firms could adapt their culture and values to support consumers.
- Respondent views on the nature and features of the products available, the pricing of products and opinions on solutions such as simple vs. fully comprehensive products.

- Observations and suggestions on how products are communicated to the public and, in particular, T&Cs and other disclosure documents.
- Attitudes towards the concepts of simplified advice or guidance are explored along with a broader discussion on the need for support in decision making.
- Other solutions. In this section, we review responses to the idea of using nudges and to the use of a signed customer declaration form and consider the need for firms to value customers and provide on-going support.

Consumers expect the industry to change its spots

Consumer respondents had very clear ideas about what needs to change and that the initiative for change should be laid at the door of the industry. However, they expect that as individuals they would respond positively to such change.

Consumers want firms to revert to a relationship model of service and a culture where customers are respected, valued and supported. The business model which consumers would support would:

- recognise that consumers aren't experts and so need help
- not over-sell or sell products inappropriate to a consumers' needs;
- not keep changing products simply to attract new customers
- price products in a way which is transparent and honest
- explain the choices open to the customer in terms that they could understand
- guide consumers on what is right for them (without spending hours doing it)
- ensure that the sales promise matched the T&Cs
- be honest about what could go wrong with products
- be honest when mistakes are made and sort them out quickly

Where firms are unable to meet these standards, consumers would want the regulator to step in.

Most firms interviewed recognised a need for the industry to make the first move to change but that it would be difficult, given the competitive environment, for individual firms to break out alone.

'Treat your customers as how you would like to be treated yourself. Manners cost nothing.'

Forum – male, older, higher income, more financially capable

'I think all that's needed from financial service companies is a little bit of leeway! some space to take on customers' needs individually, with some understanding! Customer care is a huge factor as it bridges the gap between the customers and the provider.'

Forum: male, younger, lower income, more financially capable

'I like to see all financial services be honest and beneficial for the customers with the attitude of a customer is number one'

Forum: female, younger, lower income, more financially capable

'After the banking collapse and the FS scandals, the focus should be on building the trust and institutions being flexible with customers through the current economic crisis.'

Forum: male, younger, higher income, less financially capable

'I would like to feel the company are dealing with my individual needs and not trying to tot up their sales figures for that day. Making things simple and being patient and honest are the key facts. This would build up a trusting relationship with the customer and the company.'

Forum: female, older, lower income, less financially capable

'Consumer confidence is key to the financial sector. Treat your customer as an individual and advise what is best for them, and gain their confidence.'

Forum: female, older, lower income, less financially capable

'I believe in the free market economy. If companies don't meet standards - maybe they should have a star rating, based on customer feedback - then everyone will know that they are below par. In that case, they will lose business, which means they either have to improve, or go under. Perhaps the Regulator could conduct impartial market research, as part of its role, and publish results on performance of providers.'

Forum: male, older, higher income, more financially capable

'..we really want that customer to be in a position where they understand and if they don't then the responsibility has to sit with us until we've got all the things in place that can bridge that gap'

Industry respondent

Conversely, only a small number of firms interviewed felt that the need for change lies mainly with the consumer and would like to see consumers taking their responsibilities more seriously as a first step to resolving the issue of responsibility.

Standardising and simplifying products would be welcomed by some consumers but choice remains important

Consumers find the market and the variety of products to be complex and see complexity as barrier to acting responsibly in the choice of products. A natural solution to this would appear to be to reduce complexity and while some consumers accept that some financial products are inherently complex, most believe that there is scope for them to be made simpler.

Given that most respondents did not use advisers and were relying on their own knowledge to navigate financial decisions, comparability of products was central to their thinking. Most would like to be able to evaluate less complex products; in practice what they mean is that they would like products to be more standardised (e.g. fewer exclusions and/ or 'unnecessary' added features) so that they are easier to compare.

Consequently, simple products initially resonated with the consumer desire for more standardisation and some particularly liked the idea of kite-marking to convey that the product was guaranteed to meet a designated minimum standard.

However, as they thought further, some consumers begin to move away from simplified products or to see potential problems with them.

Thus, it didn't take long for some to begin envisaging how simplified products could then be enhanced for their own needs or to worry about whether such products would be too stripped back and not meeting their individual needs.

Some more perspicacious consumers wondered how competition would work with simplified products.

Consequently, while there was consumer support for the notion of simplified products some of that unravelled as they thought through various scenarios.

'I like the simplified products...[but] you would need to have a whole range of different products for different people. I like the idea of the kite mark, that's rather good because then you would have confidence in the fact that you've got somebody else regulating these products, rather than these products being presented by the company that simply wants to make money out of you. These are actually products that have been checked by a regulator. You can say, we've looked at those and we think those are quite good.'

Depth: male, older, higher income, more financially capable, Southampton

'The kite mark is the government stamp isn't it? I think that would work for a huge part of the market. I think a lot of people would be really reassured by that and the government is much more accountable than private companies, so if something did go wrong people would be more convinced that they would be able to get things straightened out afterwards. So the kite mark would help.'

Depth: female, younger, higher income, less financially capable, Fulham

'Obviously, if you have got a simplified product it will be simplified and it obviously won't be specifically for you, so it could be that a more comprehensive product, a more kind of specialised one would be better for you because it is taking into account x,y,z, but then you have to do a lot more reading and things. So maybe if the bank, had an online questionnaire you fill out, you could put all your information in and then it could automatically come up with the ones best suited to you and then explain why they are best suited to you'

Depth: male, younger, lower income, less financially capable, Edinburgh

'Again, it's a one-size fits all, just to try and simplify everything and bring it down to a basic product. I'm not sure how the customers would accept that. They might see that there are features that they don't want or the simplified product was not comprehensive enough for their needs. '

Depth, male, older, higher income, more financially capable, Leicester

At the other end of the scale, the idea of fully comprehensive products was attractive to some but many worried about the price. They also wondered if they would have to pay for elements they already had or did not need as was the case for some consumers who had bought or taken out bundled products.

Ideally, consumers wished to be able to build products themselves from components that they can individually understand and compare so that they can see the difference in price and make an informed choice about which elements they need or can afford. By contrast, there is a fear that bundling by firms will be used as a route to over-selling or cross-selling.

Consumers also expressed an interest in firms' standardising the terms that they use. This was seen as a way of making it easier to compare products. By way of example, respondents felt that the use of the words 'comprehensive' should only ever mean that it does deliver comprehensive cover and not be full of 'get out clauses' that dilute the level of cover.

> *'So the onus on us is to treat customers fairly, which is to design products which are simple and products that do not rely on the inertia of customers.'*
>
> *'So I think it is beholden on banks to be responsible for the services they are offering to provide us and to make them simple and transparent and easily understood. However I do believe that the consumer should be responsible for their decisions.'*
>
> *'I guess the one other thing that we try to do particularly with the products for folks who are maybe more likely to be financially excluded is keep them simple. I think a lot of complexity ends up being built in.'*
>
> Industry respondents

Firms also presented mixed views on simplified products

Firms presented a number of different views on the simplification of products. On the one hand, those operating in the mass market, those not delivering advice and those dealing with more vulnerable consumer tended to take the view that simple products were essential. For some this meant stripping products back to their basics whereas for others it was about not presenting the consumer with too much choice. Several mutuals and new entrants interviewed felt that they had gone some way to producing simple products.

> *b'For example, if you're precluded from giving someone an underlying complex product because the client won't understand then you give them simple products, you give them shares, which themselves are highly complicated and no-one understands them but you can pass them off as simple and the clients exposed to massive volatility, but you're fine.'*
>
> Industry respondent

Even among these firms, there was recognition that some products are fundamentally complex and therefore need explaining in a simple way, or that the rules around the products add complexity. For example, it was argued that ISAs were relatively simple products but that the rules about what you c**ould do with ISAs, when you could put money in, how much you could put in, made them more complex. Simplifying the product itself was therefore only part of the picture. Some of the same firms also recognised the risk that simple products might not meet the needs of a lot of their customers and that even consumers with apparently simple needs might need a more complex product to address them. This led inexorably to the debate about whether complex products should be sold (with advice) to people who did not understand them even if they met their needs. Some firms felt that consumers could**

> *'I agree that complex products are not the solution for most customers there are some people who have very complex needs but even people with relatively simple needs …you know there's a whole series of complex things to interact which means just having simple products is not the solution.'*
>
> *'I don't think any consumer has been influenced by a kite mark in the last 20-odd years that I've worked in this industry. It's like a sticky plaster, isn't it, over the massive issue. And given the trust and credibility issues, it almost creates a cynicism that says… you are just trying to do that to convince us that it's all right, when it clearly isn't because we've been here before.'*
>
> Industry respondents

arly isn't because we've been here before.'

'they would have major social consequences because if you ended up in a situation where for a large section of the population, the only products that they can get are 'simple products' because the banks work out that there is actually too much risk in selling [complex products] even if they may be better for the consumer. Is that where people want to get to?'

Industry respondents

not be expected to understand some products but that, the role of the adviser was to take on board this responsibility.

The point was also made that some theoretically simple products, such as company shares actually expose consumers to risks that they may not understand and so the question of product simplicity or complexity has to be set against the attitude of the customer to risk and the understanding of the customer.

Some also worried that simple products might lead to more business being competed for purely on price rather than the benefits of the product; an extension of what is felt currently happens in large parts of the general insurance market.

Other firms interviewed felt even more strongly that only having simple products would not serve consumers well and would lead to even more financial exclusion as the temptation would be to say that only simple products could be sold to certain types of consumers. Many firms expressed the view that kite-marking would not solve problems either for the industry or the consumer, although some were enthusiastic advocates.

However, some firms did feel that there was scope for some market sectors to develop the equivalent to the supermarkets 'value', 'basic' and 'premium' ranges of products that would enable consumers to make a more informed choice and to differentiate on more than price alone.

Overall, therefore, while there was recognition of some potential role for simplified products to help consumers be able to take responsibility this was seen as unlikely to be widely appropriate.

Greater clarity and simplicity in disclosure, T&Cs and marketing material would help consumers to act responsibly.

Consumers believe that firms should ensure that their sales messages match the T&Cs and that benefits are not overstated. There is a belief that T&CS are simply too long and impenetrable. They wonder how they can reasonably be expected to read all of them and anticipate which are relevant to them in the future. Consumers would appreciate T&Cs that were more consistent between firms, explained in a standardised way or which did not change every year.

The call for this is particularly strong in pensions, investments and life insurance where the infrequency

'I don't think it is beyond the powers of man (or woman) to express in clearly understood language what it is they have to offer - remember to whom it is being addressed, don't fall into the trap of thinking it is clear, simple and obvious, this might be because you already understand it! Play the devil's advocate and question everything, even that which appears obvious. Firms should test new things out on those who are less likely to understand any jargon. As for the public don't be afraid to ask just say 'I don't understand, can you explain more clearly' If you don't understand regard it as being the fault of those trying to explain it, they are failing.'

Forum: male, older, higher income, more financially capable

'KISS - Keep It Simple Stupid!'

Forum: female, older, higher income, more financially capable

'Maybe I am just cynical but I feel it's just trickery. All financial institutions need to do is less small print. Easier terms to understand and less waffle. Then people would read and understand and be able to make an informed choice'

Forum: male, older, lower income less financially capable

'Make financial services more transparent. Plain English and simple information will help everyone understand what they're buying and make the right decisions.'

Forum: male, older, higher income, more financially capable

'I really dread dealing with pension and life insurance, the reason being is they make me feel intimidated … they use too many complex words and need to know unnecessary things … just find it's too busy … too much detail too long winded and always done on the phone'

Forum: female, younger, higher income, less financially capable of purchase makes the vocabulary and the products less familiar and harder to work out.

Consumers did not feel able to express exactly how they would like information to be simplified but felt that it would be important for firms to use language that is understood by 'ordinary people' and to test their literature and T&Cs among consumers to compare what the industry understands by specific terms and what consumers understand by them. There was also a cry for firms not to use expressions in a way that doesn't match consumers' understanding; examples included the use of comprehensive cover when the cover is far from comprehensive and cash savings accounts when the money is not accessible.

Firms have sympathy for consumers' views on T&Cs and would like to see regulation help

Many firms have considerable sympathy for the objections or concerns articulated by consumers and share many of their views. Typically they recognise a clear responsibility to make their information provision as clear and understandable as possible. Many feel that they already invest significantly in trying to do so, including looking out for creative means of conveying information in a way that will engage current and potential customers.

However, many feel heavily constrained by regulatory requirements in terms of what they can achieve and would welcome policy changes which would make it feasible for them to make their documentation more accessible.

Thus, several respondents talked about the impact of regulation on information provision that, in their opinion, resulted in consumers being swamped with documentation that was not read or acted upon because it was full of things in which the consumer was not interested and either did not contain, or made difficult to find, the things that were of interest:

'I think consumer responsibility is about organisations ensuring the consumer understands what they are purchasing, both now and how they will perform in the future. If organisations set out to ensure understanding and clarity, then we can hold the customer accountable and responsible'.

'One of the things that we have got in our mini-manifesto if you were to call it that, is that we genuinely believe in very transparent pricing and very transparent T&Cs …… I think success for us, it has to be about making things simple…. It is literally by simplifying the language'

'We have spent tens of millions of pounds over the last few years on quotes and keeping them compliant and …. to my mind the illustrations are totally useless; they're 100% accurate but totally useless'.

'The advent of things like game-ification and the digital world where people can actually go in and play with products, they can understand them through experience, I think is quite an exciting, quite a real way that the digital channel can help with education'

'Maybe some of the previous attempts around regulating have actually increased the complexity. If you've ever tried to enquire about a mortgage and read your KFI, your KFI illustration, it's even difficult to me to read and I've been doing this for thirty years'

'There's a temptation I think for firms to write the language…. which can readily align with a regulatory requirement…..That's completely different from what a consumer actually needs to understand. So even before you get into complexity of product, even a simple product, I think as an industry we need to work better to simplify the language in the terms and conditions to put it in everyday language'.

'I think that terms and conditions are far too bloody long but I can't get them to be shorter because of the regulations they have to fulfil'.

Industry respondents

Consequently, firms would greatly welcome the opportunity to make documentation more acceptable to consumers but argue that significant regulatory change is necessary if they are to achieve that.

They are also open to trying to find other ways to assist, for example by seeking industry consensus on key terms so as to increase the degree of commonality across firms and products with regard to the language they use and the definitions or meanings they attach to that language. The advantage of this approach would be that consumers would not have to cope with issues of different terms meaning different things to different providers.

Some firms argue that a consequence of action in this area would be greater ability to hold consumers responsible for their actions.

Guidance and a helping hand are essential for consumers to act responsibly

Consumers are keen to get guidance to help them find the right solution for their needs. However, other than for the few respondents with established financial advisers, the industry feels like it is selling rather than guiding or advising. There is a desire for a guiding, almost paternalistic hand that will help them through the maze of financial services although some recognise that this may not in firms' best interests and that this aspiration may be out of date.

Regardless of market, they feel they need clear guidance at the stage of researching and selecting a product. This was true whether reviewing simple savings accounts through to more complex products like pensions.

Few respondents seemed to be aware of the Money Advice Service but, when prompted and discussed, there is a strong desire for an accessible and effective independent advice service (ideally free to point of use).

Many consumers called for firms to steer them towards what could be the right product for them or to explain the options and choices available with clear guidance of what could go wrong. They compared this with the current feeling of being trapped between being oversold to and under-advised.

Some consumers described the concept of simplified advice spontaneously. It resonates with the consumer cry for more help and guidance and they like the idea that someone else might filter products for them. They like that it might be generic (e.g. 'people in your position should consider…') and particularly that it is not time-consuming. It was assumed that such guidance would be free or very low cost, although this was not an aspect that was explored in detail.

'If you could get a personal financial advisor, that would help…. because you are there in confidence with someone, so instead of going to the bank, you could go to them and tell them, look, I know I'm spending too much money, I need help. But I don't know what to do.'

Depth: male, younger, lower income, less financially capable, Southampton

'We ended up going with them because they were really not trying to sell you anything. They [credit union] were there to help you. So they were really helpful. There was no hassle. It was just straightforward, all done over the phone, never had to sign anything, just really easy and it just seems that anytime you've got a problem their job is to help you because they are a credit union, not to fleece money out of you like a bank.'

Depth: female, younger, lower income, more financially capable, Edinburgh

'But if they were there to help as well, they would make sure that the stuff that people would probably not think about and see, [they would be] made aware of.'

Depth: male, older, higher income, more financially capable, Bristol

'They should say, …here are five that are suited for you and let you choose. It's a bit of both. Here's five we think are perfect for you, have a look and this is high priority, medium priority, low priority. So you could go and say, well, that low priority doesn't look great for me but the introduction offer is really good for me.'

Depth interview, male, younger, less financially capable, Southampton

'It takes time, but this [full advice] is the only way to come up with an accurate way forward.'

'don't like the sound of this [full advice] too much as this would make many people run a mile - the idea of spending two hours going through all of their financial details would be enough to scare anyone off. Paradoxically, this would probably provide the best solution as it would ensure that the correct product gets to the right customer'

Forum: male, older, higher income, more financially capable

However in the context of today's marketplace, even simplified advice felt a little like a sales opportunity for firms and a little impersonal. It was also not clear what would happen after this simple advice or how it might address inevitably personalised and complex cases.

Full advice was felt to be the right solution for some complex products and for some consumers (especially mortgages for first time buyers). We met, of course, a number of consumers currently happily using advisors and delegating their decision-making confidently to advisors they have grown to trust.

'Now individuals are responsible for their outcomes to a much greater extent than they were and the decisions they make will have a much greater impact on their financial future. So their need for advice is much greater than it was.'

'So for example we get clients ring up and they say 'I've decided I'm going to invest, I've got £5,000 to invest, I've saved it up or my granny's left it to me (or whatever). I've decided I want to put it in a fund, can you tell me which fund I should put it in?' And of course we say we can't. They say 'what do you mean you can't? You're experts in investing, surely you can tell me which one you would think would be right for me?' No, because it's advice. They say 'I'm willing to let you off the liability completely just please tell me a fund I can put it in that you think's good.' 'No, we can't.' Of course they get very angry with us because they think 'well you have just not been helpful.'

'You have got customers who are probably 75, 80% on to the way of making their own decision and they just want final validation…we think about 50% of the market falls into a validator category so that is quite a large proportion'

Industry respondents

Although the benefits of seeking advice were understood, for many consumers it sounded too time-consuming, too intimidating and/or too expensive for many situations.

Overall, the provision of guidance and support that falls short of full regulated advice would be welcomed by many consumers although, inevitably, it would not meet the requirements of all.

Many firms would like to provide guidance and support and would like regulation to facilitate

Firms recognised that consumers need help but that many cannot or will not engage with full advice. However, left to their own devices many struggle and end up either disengaging or making sub-optimal decisions.

Full advice was felt to be appropriate for some products and for some consumers; typically the more affluent and the more complex products. RDR was felt to have driven advice even more up-market.

Many firms interviewed were frustrated at not being able to provide consumers with guidance on products without crossing the regulatory boundary into regulated advice. This was true not only in those markets where the full advice rules apply but also more widely.

A small number of respondents felt that the issue could be tackled entirely through improvements to the information supplied to customers. However, we found a strong desire from many firms interviewed for significant regulatory change to enable the provision of different forms of guidance and support for clients. It was recognised that this would not be easy and, importantly, that it would have to come with the promise of no retrospective actions for those who had met the regulatory requirements.

'I think it's possible with decision trees and that sort of thing'

'We want to make them feel like we are trying to help them. We don't want our customers to think that all we want is their money … and it would help if the FCA was clearer about what is advised and what is not.'

'So I think the industry needs to look at how online help and support for customers can be delivered without the customer feeling it's not an impartial view and I think Money Saving Expert has done a great job on that'

'You introduce this sort of 'son of' full advice, and then in the future people will say, well, I didn't realise that was what I was getting at all. I was getting full advice, and I didn't realise that when you tell me that that I wasn't getting that bit, it just creates those loopholes… . '

Industry respondents

Some firms believe that they can transform the sales process to meet customers' needs and desires for a simpler and more easily navigated process; a process that feels more like help and support than a thoroughly structured sales process and is clearly differentiated from full advice. However, most felt that in order to achieve this and to build business plans that would be acceptable to investors, regulatory change and/or a change of approach from FOS would be required.

Firms also want the flexibility to vary this between customer segments so that more help can be delivered to those who most need it. They feel current regulation does not allow them to vary advice or guidance between the experienced and financially capable and the inexperienced and less capable.

Some industry respondents suggested that the role of the regulator should be to verify and validate good sales processes. The belief is that this will give consumers more confidence in the process and outcomes.

There is a desire amongst our industry respondents to introduce a form of bounded and limited advice or a more helpful form of guidance. They feel this should be a 'safe haven' for giving more help and guidance to consumers. For some firms dealing with less capable consumers, this may come in the form of face-to-face or phone 'advice'. For others, technology is felt to have a significant role to play in helping guide consumers. Ideas for guiding consumers towards better outcomes included:

- Allowing branch staff to suggest solutions to customers;
- Providing a telephone service that helps consumers towards a more informed choice (one firm felt that they were already some way along with this model);
- Decision trees;
- Guidance on what suits the typical consumer in a given category,
- Model portfolios or a restricted list of funds.

The design of guidance was felt to be important, in particular that it was not a form of cut down advice but built upon ways in which consumers feel happy to be steered or nudged. At the end of the day, the process must make the consumer feel that they have made their own decision.

'I do think that we should all be given a better grounding in a financial background from school!'

Forum: male, younger, lower income, more financially capable

Some firms are concerned (or recognise the concern amongst others) that this lighter form of advice is open to the criticism that it won't be thorough or full enough. In particular, there is a concern that it will leave the industry open to regulatory actions in later years. While firms recognise that the debate has been going on for some time but they see some form of guidance or simplified advice not a replacement for full advice but an improvement on no advice or guidance at all.

Financial education is also felt to be a critical long-term part of the solution

The consumers we interviewed recognised that their absence of education in financial services is now a barrier to their taking on more financial responsibility. Many feel that some level of education, either from the state or their parents, would have led to an increased ability to take on responsibility.

There is a belief that the state has obvious gains to be made from increased levels of education. This would lead to a more financially secure and better protected population. It might also reduce the need for greater regulation to protect citizens.

Many consumers also believe that the education of their children in navigating the world of financial services.

'I also think on a general basis that the level of what I call basic financial education in the UK is very poor, because an awful lot of people leave school or university knowing absolutely nothing and they ought to.'

Industry Interview

There was a widespread call for Government-led financial education for children. Many with children in education feel this fits logically within the PSHE and Citizenship education that is already part of the national curriculum.

Firms also recognised the need for more financial education but saw that this was a long game and not a solution to today's problems.

Some consumers willing to be nudged but some express strong concerns about manipulation

Understandably, consumers did not like to feel that they are being manipulated by nudges and others felt that nudges could be perceived as simply another form of sales pressure.

However some respondents did appreciate that they need to be encouraged to do the right thing or helped along by a benign intervention. There was a feeling it might to help avoid unexpected outcomes. The nudge would work only, of course, if it was gentle and not intrusive.

Consumers appeared to acknowledge that when done well a nudge that puts them in the right direction might make them take action where they may not have done already. For instance, those who know they should start long term investing or retirement planning. For some, nudges were similar to the concept of guidance and support in the sales process as discussed above.

'I am not a great believer in 'nudging' people. The government and local authorities are notorious for this type of things and are rightly mistrusted by people for doing so. It used to be known as social engineering.'

Forum: male, younger, higher income, less financially capable

'Yes, I think they should nudge you in the right direction, but like I said with the products, these are low, medium, high, with the credit cards. That is doing a nudge because you are saying this is a good product for you and we're saying the low one isn't a good one for you. It's not going to be the best value, but the top one is the best of the top ten to go for.'

Depth: male, younger, lower income, less financially capable, Southampton

Signing a declaration accepting responsibility might prompt more responsible behaviour but perhaps a step too far in today's market

It was anticipated that consumers might be prompted to accept responsibility in financial services if they had to make a physical or tangible commitment to their decisions by signing a declaration.

"The decision to arrange a financial product is yours and should not be made in a rush. This decision should only be made once you are satisfied with the information you have received and when you believe you have been well informed. You might wish to consider discussing this decision with an appropriate adviser.

It is important to keep in mind that the provider cannot always guarantee that a financial product will meet all your expectations or that it has no risks."

I have read and understood the above and wish to proceed with arranging this product.

Customer signature: .... Date: ....

***or tick a box if on--line or give verbal confirmation if arranging by phone**

Signing a declaration tended to feel quite formal to respondents and did not address their need for help. Many consumers felt it was very much on the side of firms although, in the right circumstances, it could serve as a useful reminder to them. A potential advantage is that it might have the advantage of making consumers pay closer attention to their documentation if they have to sign a declaration.

But while it is imagined that this might have a chastening effect on customers, it is also expected that the industry might use it as a cover for potentially getting out of their responsibilities.

I think this kind of declaration would be good to highlight to customers that there is a responsibility on them to ensure the products they purchase fully meet their needs. My concern would be that financial providers would be able to hide behind such signed declarations in disputes, and would see it as a diminished responsibility on their part.

Forum: male, older, lower income less financially capable

'I would have no problem signing this declaration as long as there was a commitment from the financial industry that any advice/information given to me was given in an honest manner. I do believe people need to take responsibility for what they sign up to and should only do so after careful consideration and plenty of research'

Forum: male, younger, lower income, more financially capable

'It's just another quick way for the companies to cover their backs. Customers will sign the declaration without thinking too much as it's the only way they can get the service.'

Forum : male, younger, lower income, more financially capable

No single solution identified by either firms or consumers

Neither consumers nor firms interviewed could identify one single solution to the issue of responsibility. Consumers pointed to a number of different changes required to give them more confidence in their financial decisions and, if effective could lead them to act more responsibly and accept responsibility including:

- firms valuing their customer relationships,
- a move from a sales culture to one where consumers are guided / helped to find the right solutions,
- simplification of products and the information / disclosure documents that go with them
- standardisation of terms and greater use of plain English

Firms recognised the difficulties in changing the competitive landscape and many recognise the cultural changes required to regain consumer trust and to re-engage with consumers. Many see these as central to consumers accepting greater responsibility for their actions. Most firms recognised that to encourage consumers to act responsibly would require more help and support than they currently feel able to give and a concerted effort on their part to communicate more effectively with the consumer.

Importantly, however, firms believe that individual action on their behalf is a necessary but not sufficient requirement for significant change that can impact on the ability and willingness of consumers to take and accept responsibility. Additionally, there will need to be:

- Collaborative working between firms and trade bodies to encourage commonality of approaches and the avoidance of 'first-mover disadvantages'
- Engagement with responsive and flexible regulators who are prepared to facilitate key changes in the areas of guidance and support and information provision

Responsibility: conclusions and implications

While the debate about consumer responsibility is complex, a number of clear messages can be inferred from this project, namely:

- Consumers approach the subject of responsibility against a backdrop of the financial crisis and successive episodes of misselling that negatively frame their thinking.
- Firms approach the subject with a sense of mea culpa but a desire to learn from the past and re-establish trust.
- Consumers and firms both implicitly differentiate between acting responsibly and accepting responsibility (or blame). One concept is proactive and one reactive.
- Consumers broadly agree that they should accept responsibility for their financial decisions but this acceptance is conditional on:
    - Feeling that they have been able to act responsibly and that this has been facilitated by the industry;
    - That firms themselves have acted responsibly.
- In today's market, consumers feel that these conditions do not prevail.
- A broad consensus between consumers and firms emerged on what acting responsibly should look like for both consumers and for firms; i.e. there are no significant gaps in the theory of responsibility
    - Consumers have a responsibility to manage their money, plan ahead, shop around, understand the products that they buy (or delegate to an adviser), be honest in their disclosures and claims behaviour and monitor their finances.
    - Firms have a responsibility to provide tools to help with managing money and planning ahead, to design and communicate products in a way that can be understood by consumers, to help consumers find the right product for them and to adopt sales techniques that do not rely on consumer inertia.
- However, the ability of consumers to act responsibly is hampered by a number of barriers:
    - the very negative attitudes that prevail among most consumers about what they see as widespread poor industry practices, both past and current;
    - market complexity and an over-abundance of products and information and methods of dealing with organisations that do not facilitate appropriate support for decision making;
    - the sense that they cannot engage with the industry either through fear of the consequences or a lack of financial capability
- Firms believe that their ability to act responsibly is hampered by competitive forces and regulatory policy, in particular disclosure and advice regulations.
- Breaking down the barriers requires commitment to change from both industry and regulator and a positive response from consumers.
- The provision of more guidance to consumers and some standardisation or simplification of products and terms would help more consumers to act responsibly.

The findings have a number of implications for industry and regulator. Overcoming the barriers to acting responsibly on the part of both consumers and firms will require commitment by many sectors of industry to develop mechanisms to help inform, help and engage the consumer and to overcome the widespread mistrust.

The findings suggest that the industry, and in particular the banking and insurance sectors, will need to lead the way with sustained cultural change to align propositions more clearly to consumer needs. This will mean addressing the issues of inertia selling, over-selling and reverting to relationship-based business models. Some agreement on standardisation of products or product terms would reduce some of the complexity and uncertainty that faces consumers.

Industry and regulator also need to work together to find ways of

- providing appropriate information in a form which consumers can understand and which does not overwhelm.
- providing consumers with 'safe haven' guidance and support in their decision making.

Finally, the government should look at ways of improving financial education in schools and boosting awareness and effectiveness of the Money Advice Service.

Appendix one - samples

Consumer sample

The respondents for the focus groups and on-line forums were recruited on the following basis:

	Younger (<40)	Older (40-65)
Lower incomes (Personal income <£25k)	Recently arranged, reviewed or switched one or more of: • Bank/savings accounts • Credit cards • Personal loan/consumer credit • Car/home insurance • Life insurance / critical illness Financially less capable: Focus Group Financially more capable: On-line Forum	Recently arranged, reviewed or switched one or more of: • Car/home insurance • Life insurance / critical illness • Mortgage • Investment/personal pension • Annuity/ income drawdown Financially less capable: On-line Forum Financially more capable: Focus Group
Higher incomes (Personal income £25k+)	Recently arranged, reviewed or switched one or more of: • Bank/savings accounts • Credit cards • Personal loan/ consumer credit • Car/home insurance • Mortgage • Life insurance/ critical illness Financially less capable: On-line Forum Financially more capable: Focus Group	Recently arranged, reviewed or switched one or more of: • Bank/savings accounts • Fund investments/ stocks and shares ISAs • Structured investment products • Investment/ personal pension • Annuity/ income drawdown Financially less capable: F2F Group Financially more capable: On-line Forum

The focus groups took place in Leeds and London and, along with the on-line forums, were completed in April 2013.

The respondents for the depth interviews were recruited on the following mix of criteria (discussions were not limited to the products used for recruitment). In addition a, close to equal, mix of male and female respondents were interviewed.

Recently arranged, reviewed or switched:	Age of arrangers		Income		Financially capable (see below for details)		Total
	Younger (under 40)	Older (over 40)	Lower incomes (<£25k)	Higher incomes (£25k+)	More	Less	
1. Bank/Savings Accounts	2	2	2	2	2	2	4
2. Credit cards	3	1	2	2	2	2	4
3. Loans/ consumer credit	2	2	2	2	2	2	4
4. General insurances	2	2	2	2	2	2	4
5. Life insurance	3	1	2	2	2	2	4
6. Mortgages	3	1	2	2	2	2	4
7. Investments / pensions	1	3	2	2	2	2	4
8. Annuities/ drawdown	0	4	2	2	2	2	4
Total	16	16	16	16	16	16	32

The questions used to evaluate financial capability were drawn from the FSA's baseline study of financial capability undertaken in 2006. Respondents were asked to agree or disagree with each of the statements were classified as financially capable if 3 or more questions were coded in red in the table below. Otherwise, respondents were classified as less financially capable.

1 = Agree strongly **2 = Tend to agree** **3 = Tend to disagree** **4 = Disagree strongly**	**Agree strongly**	**Tend to agree**	**Tend to disagree**	**Disagree strongly**
I am impulsive and tend to buy things even when I can't really afford them.	1	2	3	4
I would rather cut back than put everyday spending on a credit card.	1	2	3	4
I tend to live for today and let tomorrow take care of itself	1	2	3	4
I find it more satisfying to spend money than to save it for the long term	1	2	3	4
I am very organised when it comes to managing my money day to day	1	2	3	4

Other conditions applied to the samples included:

- Those working in financial services and associated industries and those working in market research were excluded from the research;
- The long term unemployed were excluded;
- No participation in other market research within the past six months
- Those who did not participate in making financial decisions were excluded. However, a decision was made to try to recruit a small number of such individuals for the on-line forums. The recruiters found it very difficult to find such people but did recruit

Depth interviews were conducted in May 2013 in the following locations:

- Edinburgh
- Newcastle
- York
- Leicester
- Greater London
- Thatcham
- Southampton
- Bristol

Industry sample

In all, 24 organisations were approached to participate in this project and interviews were conducted with 19 from May to early July 2013. Organisations were selected on a random basis to represent the cells in the grid below. Senior respondents, typically CEOs or heads of UK operations, were approached to participate and in most cases did participate in the discussions. The number of interviewees varied from one to 13 but averaged two per interview. In addition to CEOs, respondents typically included marketing, risk, compliance, policy and customer service directors or heads of.

The achieved sample grid was as follows:

	Large shareholder	Large mutual	Smaller shareholder	Smaller mutual	Total
Banking / credit	2	1	2	1	**6**
Life & pensions	1	1	1	1	**4**
Insurance	1	1	Interview not achieved		**2**
Investments / fund managers	2		1		**3**
Inter-mediaries	3		1		**4**
Total	**9**	**3**	**5**	**2**	**19**

The following organisations contributed to this project:

• Barclays	• MoneySupermarket
• Bristol Credit Union	• NFU Mutual
• Chadney Bulgin	• Partnership
• Engage Mutual	• Royal London
• F&C Investments	• RSA
• Fidelity	• Standard Life
• Hargreaves Lansdown	• Towry
• HSBC	• Virgin Money
• Invesco	• Yorkshire BS
• Metro Bank	

Appendix two - Research Material

Consumer group discussions – key themes explored

- Engagement and responsibility generally - brainstorm on buying behaviour generally
- Engagement and responsibility in the context of FS
- Discussion of responsibilities of consumers
- Exploration of what it means for specific products
- Discussion of the responsibility of firms
- Discussion of potential solutions and recommendations for industry

Consumer depths – key themes explored

- Warm up & explanation
- General feelings about financial products & services
- Decision making in relation to the chosen product/ service
- Meaning of responsibility, respective responsibilities of individuals and firms
- Potential solutions

Consumer on-line forum – high level structure

Day One:

- quick fire questionnaire (open ended text responses) covering attitudes to buying goods and services other than financial products & services (responses are private)
- writing a letter to a possible new partner telling them about their track record in financial planning and how they feel generally about financial planning (participants will see their group's responses once they've posted their own letter)
- the story of the last financial services product/ service they bought, renewed, switched or reviewed with prompted stages to help their thinking; they then review what they've written and identify their key moments (possibly private, or unbiased within their group)

Day Two

- participants given a list of key moments (constructed overnight from the key moments they've identified as well other key moments we want them to cover). For each key moment, participants to identify what they feel is the customer's responsibility at that stage; then they're asked to read through the other group members' posts and comment on them;
- participants then given the list of key moments again, and asked to suggest what the responsibilities of the companies selling financial products and services should be at each of these, same, stages.

Day Three

- participants given a 2 or 3 vignettes/ stories of people not taking responsibility (which will vary according to group). Participants to respond to set prompts covering responsibility, fault/ blame, consequences for that customer and for other customers (and again asked to return later to read through others' (in their group) responses and to comment on them;
- participants to write a "Guide to buying x responsibly" for a younger brother or sister (we provide them with a template they fill in and post to the forum), private task

Day Four

- participants given an explanation of the purpose of the research. Then asked to write a Tweet-sized message to the FSPP highlighting what they feel is the most important thing to remember when they're drawing up rules about customer responsibility (140 characters); they'll be able to see the whole forum's responses.

- participants given a draft statement of responsibilities and gaps from the face to face groups and asked to respond to specific questions about customers' and companies' responsibilities, and how any gaps might be bridged (they're also asked to return later to read through what others in their group said and to comment on those)

Consumer stimulus material used – vignettes

The following vignettes were used where needed to draw out the discussion on responsibility. Some discussions did not require the use of vignettes while others did.

Scenario 1: Credit / Borrowing	
Alison has a £250 overdraft on her current account. She has been organising a short break with some friends and her finances have been a little stretched. She is already £240 overdrawn. Fortunately one of her friends gives her a cheque for £150 to cover some of the costs of the weekend away. She pays it in on Wednesday. On Saturday, she checks her balance at the ATM and sees it has been credited so she withdraws £50.	*Stop* • *Does this sound like the sort of thing you might do?* • *Is this a reasonable thing to do?* • *Would you have done anything differently?* • *What responsibilities do we have for managing our money?* • *Can you see any problem with what she's done? If problem identified. Would you have thought of that yourself, if you were in her position?*
At the end of the month, she receives a letter to say her friend's cheque did not clear and was bounced on the Monday. This meant Alison was over her limit from the moment she had taken out the money from the ATM. The bank fines her £35 for the bounced cheque and another £35 for going overdrawn. This combined £70 would currently push her overdrawn again. The bank warns Alison that if she is overdrawn again, they will have to "apply charges" again unless she transfers money right away. Alison complains that the bank should never have let her take the money out of the ATM. The bank explains that cheques always need 6 working days to clear. They say this is well known and also that it is in their terms and conditions. She thinks it is unfair to be charged for going overdrawn the second time when it is the bank's charges that push her over. The bank says they are giving her plenty of notice on the charges.	*Discussion* • *What is your initial reaction?* • *Should Alison be able to withdraw the money within FOUR days even though the cheque isn't cleared?* • *Could the bank have done more to warn Alison that the cheque hadn't cleared and might bounce and that she might incur charges?* • *Should Alison have been more careful? She knows how reliable or unreliable her friend can be?* • *If Alison is regularly overdrawn, should she be responsible for understanding how and when she might incur charges? What can the bank do to help?* • *Given that the vast majority of cheques are not bounced, is it good that the bank allows people to access funds early?* • *Ultimately, whose responsibility is it that Alison went over her overdraft limit?*
Scenario 2: Savings	
Geoff is 28 and wants to save up for a big party for his 30th birthday. He has some big plans but feels he needs to saves up. He pops into his bank and the member of staff suggests he sets up a direct debit on the day his salary comes in so he won't miss the money. As Geoff won't need the money for the next couple of years, they agree to put it into a high interest notice account. They agree that this will help stop Geoff from being tempted to take the money out early.	*Stop* • *Would you have done anything differently?* • *Has he done everything it's reasonable to expect of him at this stage?* • *Can you see any problem with anything that Geoff's done? If problem identified. Would you have thought of that yourself, if you were in his position?* • *Should he have looked around more?*
A month before Geoff's birthday, he goes to take the money out. The cashier explains that he needs to give 60 days' notice to withdraw the money. If he takes it out now he will forfeit the interest. Geoff complains that he needs the money to pay for his party. The bank say it would all have been explained to him when he opened the account. Geoff says he always made it very clear that he wanted the money for his birthday which is a date they were well aware of.	*Discussion* • *What are your initial reactions?* • *Did Geoff have a responsibility to plan ahead more and remember that he needed to give notice?* • *Did Geoff have a responsibility to read the terms and conditions more closely?* • *Did the bank have a responsibility to note that he needed the money on his birthday and to remind him to come in 60 days before his birthday?*

Scenario 3: Mortgage	
Jenny and Alex took out a mortgage in 2007 to buy their new three-bedroomed flat. They were nervous about interest rates going up because a lot of their earnings are commission-based. The building society offered them a fixed rate deal at "base rate plus 1%" for 5 years. In 2008 the base rate was slashed to 0.5% and stayed there until 2012. This has meant their repayments have been really low. This has meant that they've been able to afford the repayments despite their earnings reducing since the downturn.	*Stop* • *Would you have done something similar?* • *If not, why not/what are the potential problems?* • *What else should they have considered doing?* • *Have they done everything it's reasonable to expect of them to so at this stage?*
In 2012 they came out of the fixed rate and into the Standard Variable Rate and their payments have gone up. They now struggle to pay the new mortgage. They can't move house because they can't get a new mortgage as their salaries are commissioned-based and, since the credit crunch, business has been steady but tight. They'd like to move to a smaller flat in the same block and have a much smaller mortgage but nobody will give them a mortgage….not even their current building society. One of the main problems is that they can't meet the new stricter rules on loan-to-value ratio (the size of their deposit) even though they are looking for a lower loan-to-value ratio than they currently have.	*Discussion* • *Could Jenny and Alex have done anything to plan for this situation? Could the building society have done anything to plan for this situation?* • *Should the building society have lent to them in the first place? Do they have a responsibility to help Jenny and Alex now?* • *What if they had reduced incomes because one of them had lost their job through no fault of their own? Or been fired for something that was their fault? Or had a baby?* • *Does the building society have a responsibility to give them a newer smaller mortgage, even if they would not give them to brand new customers in the same position?*
Scenario 4: Investments (Groups 2/4)	
Mary is a 58 year old single person who receives a £15,000 lump sum from her pension scheme on retirement. On the advice of a friend, she approaches a financial adviser on how best to invest the money. She has £4,000 in other savings. They ask her a lot of questions about what she wants from her investment, when she might need to access her money and her appetite for risk. Her answers indicate that Mary has a medium appetite for risk and does not want to leave her money in an ordinary savings account. On advice she invests her money in a mix of investment funds. The adviser explains that there are risks involved and her investments can go up or down. She says that she understands.	*Stop* • *Would you have done anything differently?* • *Can you see any problem with anything that Mary has done? If problem identified. Would you have thought of that yourself, if you were in his position?* • *Has she done everything it's reasonable to expect of her?* • *Has the adviser done everything it is reasonable to expect of him?*
Three years later Mary needs the money to fund an unexpected house move but the value of her investment is now only £12,000. She complains that she did not understand the risks involved but the bank maintains that it explained the risks to her and that they cannot pay any compensation for the markets moving downwards.	*Discussion* • *What are your initial reactions?* • *Does Mary have a responsibility to understand the risks and keep a closer eye on how her money is invested?* • *Should the adviser have checked more thoroughly that she was would not need the money in the short term?* • *Mary said she had a medium attitude to risk – does the adviser have a responsibility to make sure that Mary understands what that might mean?*
Scenario 5: Home insurance (Any group)	
John needs to arrange his home insurance quickly when he moves in to a new home. He uses a comparison web site and finds a competitive offer. It covers both the building and its contents. He's always a bit surprised at the amount of detail insurance companies require but answers the questions as best he can from memory, quickly ticking most of the boxes in a long application form and taking a bit more time about estimating the value of his possessions, which he thinks is the important bit.	*Stop* • *Would you have done anything differently?* • *Can you see any problem with anything that John's done? If problem identified. Would you have thought of that yourself, if you were in his position?* • *Has he done everything it's reasonable to expect of him?*
John's house is flooded when the local river bank bursts. The insurance company is sympathetic and supportive. They send round the loss adjustor who makes notes about the carpet and furniture. He then points out that John does not have window locks despite saying he did when he arranged his insurance cover. John points out that he was not burgled and window locks would not have	*Discussion* • *What are your initial reactions?* • *Do you think the insurance company should pay out?* • *If yes, do you think they should pay out if he'd been burgled not flooded?* • *If he had said he had window locks deliberately to get the*

stopped the flooding. The insurance company advises him that he misled them when he took out his cover as he does not have window locks and so his insurance is invalid. John complains that he was asked lots of questions about window locks and five lever locks when he took out his cover and was overwhelmed with questions. The insurance company offers to refund his payments as gesture of goodwill.	*premium down, does that change things?* • *If he did it by accident, should John have been more careful when answering questions?* • *Does it matter that John was not more careful? Did he have a responsibility to be more attentive?* • *Did the insurance company have a responsibility to check more carefully that John actually had window locks?* • *Do insurance companies have a responsibility to be more careful BEFORE claims than after them? Or does the responsibility lie with the customer?* • *Where might John go to if he wants to appeal for help? A court? The Financial Ombudsman? The FSA? What responsibility does the Government or the Regulator have to help John, the insurance company and all the other claimants?*
Scenario 6: Annuities (Group 2/4)	
Sarah is coming up to retirement. She has a personal pension plan worth about £60,000, will qualify for a full state pension and has £25,000 in other savings and investments. She gets an offer from her pension company for an annuity of £3,000 per year but decides to see an IFA for advice. The IFA advises her that she has three main options: 1. Buy an annuity from the best provider at £3,200 per year, in which case the income will never go up or down but will pay out throughout the rest of her life OR 2. Buy an annuity that rises by 3% a year but will start at £2,100 per year OR 3. She can invest into a drawdown pension from which she can take a maximum income of £3,840 but warns her that the income she can take may rise or fall in future years, particularly if she takes the maximum income. He explains the benefits and risks of the three options and advises her to take an annuity. Sarah tells the adviser that she understands that option 3 will be riskier but she chooses option 3 and takes the maximum income. He then agrees to put this in place but reminds her that it is not what he has advised and reiterates the risks.	• *Would you have done anything differently?* • *Has she done everything it's reasonable to expect of her?* • *Can you see any problem with anything that she's done? If problem identified. Would you have thought of that yourself, if you were in his position?* • *Was she sensible to approach an IFA for advice?* • *Should she have looked around more or should approaching one adviser be sufficient?* • *Should she have taken the IFAs advice?* • *Should the IFA have refused to do what she asks?*
After five years, the adviser contacts Sarah to say that there had been a review of her plan that showed that the invested fund had not grown as hoped and that her annual income would have to fall to £3,000. However, she is now struggling to make ends meet because inflation has made her household costs much higher. Sarah feels annoyed that her income from her pension has fallen and could fall again. She feels that the adviser should have pushed her harder to take an annuity, even though the initial income was lower. She feels that she may have been missold and wonders whether she can get compensation.	• *Who is responsible for the decision that Sarah made? Sarah or the adviser?* • *Should the adviser even have mentioned the drawdown option knowing how little money she had? Should this product even have been available to her in her circumstances?* • *Should the adviser have been in touch sooner to warn her that the income she could take might need to fall?* • *Should the adviser have worked harder to describe the benefits of annuities?*
Scenario 7: Investments (Group 2/4)	
Stephen is in her 80s and lives in the home where he brought up his family. His wife passed away a few years ago but he benefits from a small occupational pension and receives his state pension as well. Stephen and his wife were regular savers when they were younger and put most of this money directly into PEPs and then stocks and shares ISAs. He now has around £50,000 in total. He's proud of these hard won savings and very aware that they are 'tax free'. The investment company he uses sends a statement each year and lots of letters explaining their latest ISA offers, which Stephen and his wife regularly took up in past years. Stephen struggles to keep and heat the house and pay his bills from his modest income but the house itself is valued at around £400,000. He hasn't replaced the old and draughty windows and doesn't feel that he can afford to heat the whole house, so tends to sit by the fire in the living room. He won't use any of the ISA money because he knows its tax free and he wants to leave that to the children.	• *Should Stephen have done anything differently?* • *Has he done everything it's reasonable to expect of him* • *Was it sensible for Stephen's to keep his ISAs? If not, who should have been responsible for helping him understand and cashing them in?* • *Does the family have any responsibilities?* • *Can you see any problem with anything that he has done? - If problem identified. Would you have thought of that yourself, if you were in his position?*

As time moves on Eileen becomes increasingly frail and eventually passes away. Her house is valued at £400,000 but proves difficult to sell in the current sluggish property market. That takes her estate beyond the £325,000 inheritance tax threshold. Her ISAs are included in this calculation and are taxed at 40% before being passed on to her children. There is a further 40% inheritance tax due on the £75,000 that the property is worth over and above the Inheritance tax threshold – i.e. a further tax liability of £30,000. The total inheritance tax due on the whole of Eileen's estate is £50,000. The children have to use all of Eileen's ISA money to settle the total inheritance tax liability.	• *Were ISAs the right way for Eileen and her husband to save?* • *Whose responsibility should it have been to check this?*
Scenario 8: Caravan Insurance (Group 2/4)	
Bob wants to take his £20,000 caravan abroad. He has insurance for the UK but needs to extend that to cover his trip to France. He is a little put off by the costs of insuring through The Caravan Club, even for just two weeks cover and contacts a few other providers by phone. He finds that there are cheaper options from non-specialist providers which offer the 'basic' cover he needs, like repair costs, roadside assistance and contents insurance, as long as he foregoes things like personal accident, legal cover and a whole list of cover that he feels just needlessly add to the price. He arranges this basic cover and looks forward to two weeks in the South of France.	• *Would you have done anything differently?* • *Can you see any problem with anything that Bob's done? If problem identified. Would you have thought of that yourself, if you were in his position?* • *Has he done everything it's reasonable to expect of him?* • *Is the insurer right to offer cheaper but more basic policy options?*
Unfortunately, as Bob is arriving in the South of France, his caravan is hit by a car as he crosses a junction controlled by traffic lights. Although non-one is hurt, the damage is extensive and he is unable to continue towing it. It is deemed repairable. Bob's convinced the other driver has jumped the lights but language difficulties and a lack of witnesses make this difficult to prove. The other driver says it was Bob's fault. Bob's insurance company agree to paying for recovering the van and the extensive repairs that are required but these will take more than two weeks to complete and Bob needs to get back to work. Bob realises he has to fund his hotel costs for the rest of the holiday and reluctantly uses his credit card for that. Once home, Bob finds out that his insurer won't pay for the caravan to be brought back to the UK. He'd assumed that this must be part of any 'basic' cover but although this exclusion wasn't part of the way the deal was explained to him on the phone, it was in the detailed terms and conditions. On top of his additional hotel costs, Bob faces either paying for a return trip to the South of France to collect the repaired caravan or a very large bill for having it delivered back to him. Bob wants to pursue the other driver to recover these costs but his insurers don't feel they have a strong enough case to do so.	• *What should be included in a basic insurance product like this?* • *Should his insurer have made a bigger point about the lack of recovery cover when they sold him the policy?* • *Should Bob have read the full policy details after purchasing the policy to make sure it covered what he needed?* • *Who is responsible for the gap between what Bob expected and what the insurer covered?*

Consumer stimulus material used – potential solutions

The following words were used to draw out attitudes towards potential solutions with consumers.

1. Simplified advice

Financial services firms should…

…ask you a few questions and sell you a the product that they think meets the needs of 'people like you', but without taking you a full assessment of your individuals needs

2. Full advice

Financial services firms should…

… only sell you a product once they have done a full assessment of your needs and are able to give you a personal recommendation

3. Simplified products

Financial services firms should…

…. produce a set of simplified (perhaps kite marked) products that are regulated, use straightforward and consistent language and that are generally suitable to most customers but may not meet the specific needs of an individual.

4. Comprehensive products

Financial services firms should…

… produce a set of comprehensive products that meet all possible needs of most customers where all customers are required to accept all of the features.

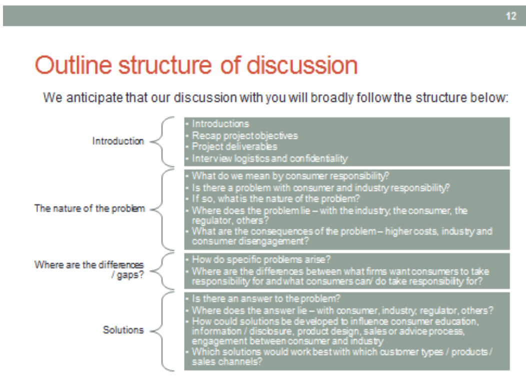
5. 'Nudges'

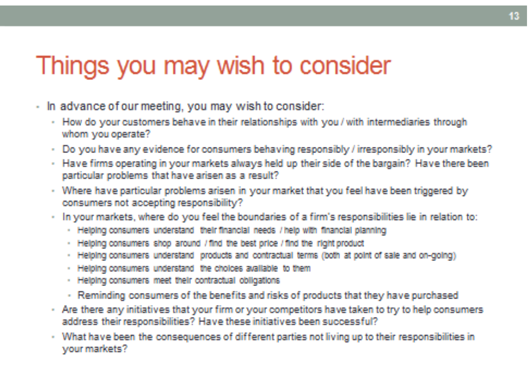
Financial services firms should…

… help people do the right thing by nudging them in the right direction. The government would ensure that the default products were good value and regulated.

Industry – briefing pack and key themes explored

A slide pack was sent out to all industry respondents in advance of discussions. This pack sets out the context for and expectations of a programme of consultations with industry stakeholders on the subject of consumer responsibility in financial services. The slides setting out the broad structure of discussions and the things firms were asked to consider are shown below.





Appendix three – About the authors

Jackie Wells & Associates

The team for this project is a consortium of five independent consultants: Jackie Wells, Midge Clayton, Alison Lyon, John Leston and George Davidson. All five consultants have held senior roles in consultancies, market research agencies and/or regulated firms. Brief summaries of their experience and skills are provided below.

Midge Clayton Midge is an independent market research consultant with over 25 years' experience of conducting qualitative and quantitative studies in the financial services sector. He has recent experience of policy-related studies in the financial services sector working on behalf of government (HMRC/Office of Tax Simplification and HM Treasury) and financial services providers (Lloyds Group, The Share Centre, Old Mutual, Standard Life, Liverpool Victoria, Sainsbury's Bank) as well as other agencies and consultancies (Phoenix, Synovate. MORI). After completing a Psychology degree at the University of Exeter, Midge spent most of his career to date in and around the market research industry in senior agency (NOP, The Harris Research Centre) and client side roles (The Mortgage Corporation, Charles Schwab Europe). His early work was mainly quantitative and revolved around NOP's Financial Research Survey where he worked to Director level. He headed up The Harris Research Centre's financial research division before becoming an independent research consultant 15 years ago. Since then he has mixed qualitative and quantitative techniques and has worked on many studies across Government policy and communication issues in health, education, business, defence and personal finance.
George Davidson George has nearly twenty years of experience in market research and is the founder of Black & White Research Ltd. George started his career in the market research team at First Direct (HSBC) and his experience includes both agency and client side positions. George specialises in insightful qualitative research using both traditional and innovative techniques. He has been the Deputy Leader of a £120m Unitary Authority and Non-Executive Director of the Royal Berkshire Ambulance Trust. He has twice delivered papers at the Market Research Society Conference.
John Leston John is an independent market research consultant with 30 years' experience of conducting complex, mixed methodology studies, often in a public policy context. He has recent experience of policy-related studies in the financial services sector working on behalf of government (DWP, HMT, Defra), regulators (FSA, TPR), financial services providers (AEGON), and others (Friends Provident Foundation, Financial Services Consumer Panel). John was one of the founder directors of RS Consulting Limited, a market research consultancy which specialised in complex mixed-methodology assignments. John was joint Managing Director and Finance Director of the company.
Alison Lyons Alison has worked in public sector and financial services research for over 20 years. She is a qualitative insight specialist whose clients regularly ask her to put forward the citizen's/ customer's voice on difficult, complex issues. She has worked with many regulators, including Ofcom (and its legacy organisations – BSC, ITC, Radio Authority), the BBC Trust, and the Advertising Standards Authority, as well as public (and third) sector organisations. Alison has also worked extensively with commercial sector financial service providers, mostly in the context of customer communications, and across a comprehensive range of products: from student/ graduate bank accounts, through credit cards, consumer credit, short and long term savings, regulated products, advised products and relationship management. Clients include Halifax, Bank of Scotland (including their Private Bank customers), Clerical Medical, Standard Life, Scottish Widows, Legal & General, Citibank Life, Charles Schwab Europe, The Share Centre, Newton Fund Managers, Liverpool Victoria, Frizzell and NCR's The Knowledge Lab.
Jackie Wells Jackie is an independent strategy and policy consultant with 30 years' experience working in financial services markets with providers, related Government departments and regulators, as well as think-tanks, trade organisations, professional and consumer bodies. Jackie has a keen interest in the role of market initiatives and social and regulatory policy in shaping consumer financial behaviour and the shape and behaviour of the financial services industry. Jackie has previously worked in the consulting teams at Deloitte and Bacon & Woodrow and for life and pension companies in strategic planning roles. She is also an independent board member of the CII, a member of the CII's Professional Standards Board and an associate fellow of ILC-UK.