

Table of Contents

F	orewo	ord	3			
Ε	xecuti	ive Summary	4			
1	Intr	roduction	8			
	1.1	Our starting point	8			
	1.2	Objectives	8			
	1.3	Scope	9			
	1.4	Establishment of evidence base	9			
2	Ho	w "advice" and "guidance" are viewed today	12			
	2.1	Consumers	12			
	2.2	Regulated financial services providers	14			
3	The	e advantages of clarity on "advice" and "guidance"	16			
	3.1	Consumer understanding and confidence	16			
	3.2	Clarity and consistency for providers	16			
4	Tes	sting of explanations and terms for "advice" and "guidance"	18			
	4.1	Explanations	18			
	4.2	Terms	20			
5	Red	commendations	25			
	5.1	Adoption of consumer-friendly explanations	25			
	5.2	Measures of success	27			
6	Anı	nex	28			
F	\nn	ex				
Α	. Ad	Iditional detail on research methodology	28			
В	3. Evolution of explanations for "advice" and "guidance"29					
С	C. Detailed explanations and examples for "advice" and "guidance"30					
ח	D Advice & Guidance Sub-Group members 32					

Foreword

I am delighted to introduce this report which makes a series of recommendations to enable consumers to better understand the help available when they are making decisions about financial matters.

HM Treasury and the FCA, in their Financial Advice Market Review, asked us to suggest a shortlist of potential new terms for "advice" and "guidance" that would help consumers to better understand these services when they take decisions about their financial future.

In order to come up with something that would work for consumers, our approach had to be consumer-led. We drew heavily on the expertise of the consumer groups represented on the panel, and used consumer research to lead our thinking on what the industry should do, rather than let industry experts determine what they thought would be good for consumers.

Our research told us what consumers think about concepts of "advice" and "guidance" – namely that they are confusing and esoteric terms and don't instinctively fit into the broad range of ways in which consumers look for help with their financial decisions. Yet once clear explanations are used, written in straightforward language, and with the two services presented side-by-side, "advice" and "guidance" can be quickly demystified in a way that cannot be achieved by simply changing the terms.

Making a real difference to consumers' understanding of "advice" and "guidance" will require widespread adoption of the explanations – they need to become the de facto standard in both regulated and unregulated parts of the industry. This will need both carrot and stick to be achieved and I am encouraged by the initial feedback from the regulated industry to the suggested way forward.

I would like to thank those who contributed to this work: the working group members who generously gave their time and experience to shape the findings and conclusions in this report; our advisors from Oliver Wyman and the team at Optimisa Research.

Nicky McCabe

Chair, Advice & Guidance Sub-Group Financial Advice Working Group

Executive Summary

Recommendation 17 from the FAMR report: The Financial Advice Working Group (FAWG) should publish a shortlist of potential new terms to describe "guidance" and "advice", with the final choice of words and approach to implementing them to be confirmed after market research and consumer testing.

In response to recommendation 17, the FAWG looked to suggest a shortlist of new terms for "advice" and "guidance" ¹, with associated consumer-facing explanations, alongside a recommended approach to implementation.

In the context of financial services, "advice" is a service which recommends a specific course of action based on consumers' individual circumstances and goals; "guidance", on the other hand, provides information and/or options to narrow down consumers' choices, without making an explicit recommendation. While "advice" may only be provided by a regulated individual or firm, "guidance" is provided by a wide range of individuals and organisations which may or may not be regulated. Throughout this document the term "providers" refers to all providers of "guidance" services, as well as regulated providers of "advice".

Currently, the service a consumer receives from "advice" and "guidance" is explained in many different ways. This is particularly true of "guidance" which is often explained in negative language (e.g. "this is not advice", "it does not give you a recommendation" etc, rather than explaining what it can do). The Financial Advice Market Review (FAMR) concluded that this inconsistency undermines consumers' ability to understand the difference between "advice" and "guidance".

Clear explanations² of "advice" and "guidance" are vital to enable consumers to get help with important financial decisions. For example, many consumers know they need to save more to provide for their future financial well-being, but do not know what help is available to them, find the topic confusing, and/or are not always willing or able to pay for "advice". Clear explanations promote a better understanding of the services available, the associated costs and implications for decision-making, and consumer rights to protection and redress. They improve consumers' awareness of where and how to access the support they require and make it easier for providers of "advice" and "guidance" to reach consumers and help them with their financial decisions.

The FAWG was tasked with undertaking consumer research to better understand consumer perceptions of "advice" and "guidance", and associated terms and explanations. This research concluded that:

- Consumers draw on multiple sources of information for help with their financial decisions, but typically do not think of these as "advice" or "guidance".
- Consumers had conflicting views on what constitutes "advice" and "guidance" with many transposing the meaning.
- The concept of "guidance" in a financial context was unfamiliar to consumers, especially amongst younger groups.
- Understanding of "advice" and "guidance" significantly improved with concise, consumerfriendly explanations (see Exhibit 1), especially when the explanations of "advice" and "guidance" were provided together, as shown in Exhibit 2.

In this report, "explanations" refers to consumer-friendly wording to describe "advice" and "guidance" services

— it does not refer to setting regulatory standards for providers.

Throughout this document "advice" and "guidance" are used (with quotation marks) to refer to the generic services they describe and to avoid confusion with specific new terms under consideration.

■ Different terms for "advice" and "guidance" were suggested by the consumers in the phase I research. However, none of these terms emerged as strong alternatives to "advice" and "guidance" in the follow up research.

Exhibit 1 FAWG explanations for "guidance" and "advice" (developed through consumer research)

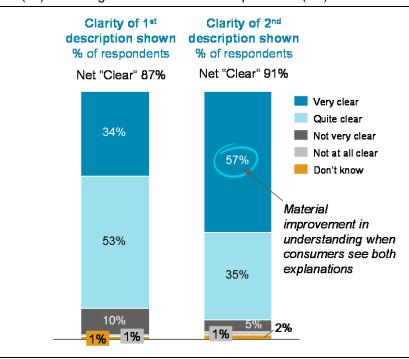
"Guidance"

- Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.
- Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it.
- Guidance is free unless your provider clearly tells you otherwise.
- It will suggest what you could do.

"Advice"

- Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.
- Advice will be provided by a qualified and regulated individual or online by a regulated organisation.
- Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.
- You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.
- It will recommend what you should do.

Exhibit 2 Consumer assessment of clarity of explanations of "advice" and "guidance" shown on their own (1st) or having first seen the other explanation (2nd)



Conclusions and recommendations

Terms

The FAWG concluded based on its research that there were no new terms for "advice" and "guidance" that on their own explained the two services better than the existing terms. As a result, the benefit to consumers' understanding of changing the terms would be at best marginal. Conversely, the cost of changing the terms would be significant across the industry, for both regulated providers of "advice" and providers of "guidance".

The FAWG therefore recommends that the terms for "advice" and "guidance" are not changed.

Explanations

The consumer research consistently showed that providing clear, consumer-friendly explanations for "advice" and "guidance" will make the most difference to consumer understanding of the services, and that this far exceeds the benefit of changing the terms themselves.

Discussions with a small range of market stakeholders³ (comprising consumer groups, regulated firms, and industry bodies) also indicated strong support for the adoption of consistent explanations.

The FAWG therefore recommends that the market should adopt a single consistent set of consumer-friendly explanations for "advice" and "guidance". The single set of explanations should be substantially similar to those shown in Exhibit 1 above.

The FAWG further recommends that:

- In order to drive the widest adoption possible, entities authorised and regulated by the FCA should (subject to the FCA's required process of analysis, appropriate public consultation and Cost Benefit Analysis) be mandated to use the explanations. In addition, the explanations should be used by Government-backed guidance services⁴. For other non-regulated guidance bodies and other market commentators (e.g. press), the use of the explanations should be encouraged.
- The explanations of "advice" and guidance" should be displayed side-by-side to allow comparison between the two services by consumers.
- Use of the explanations by providers should follow a clear set of principles so that they are easily accessible to all consumers, and positioned at an early stage of the customer journey so that consumers know which service ("advice" or guidance") they are receiving.⁵

This report only looks at one element of the FAMR challenge. On their own, new explanations of "advice" and guidance" will not close the "advice gap" identified by FAMR – they need to be accompanied by a range of other changes to provide the support to consumers that is currently lacking. The full range of changes can be found in the FAMR report.

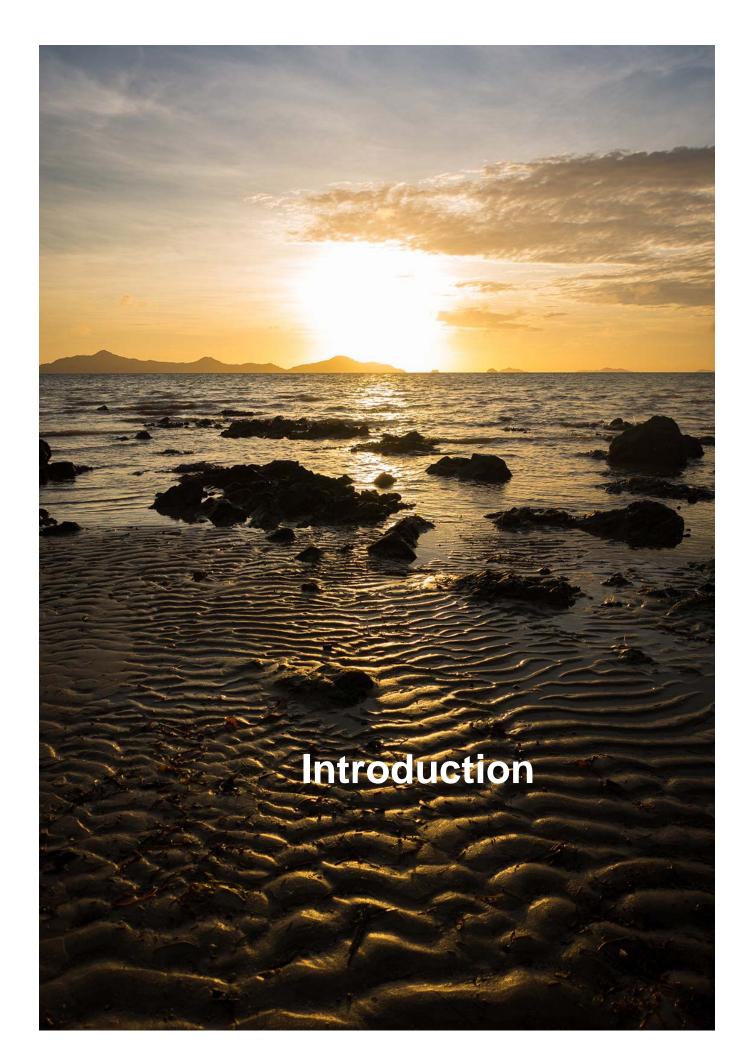
Financial Advice Market Review, Final report, March 2016

6

See comment on page 10 regarding the need for further consultation prior to implementation.

⁴ For example, the planned merger between the Money Advice Service, Pension Wise and The Pensions Advisory Service

A set of principles for adoption are included in Section 5



1 Introduction

1.1 OUR STARTING POINT

In March 2016, the Financial Advice Market Review (FAMR) set out its mission of "exploring ways in which Government, industry and regulators can take individual and collective steps to stimulate the development of a market which delivers affordable and accessible financial "advice" and "guidance" to everyone, at all stages of their lives". To achieve this mission, the Review included 28 policy recommendations.

Recommendation 17 was that "the Financial Advice Working Group (FAWG) should publish a shortlist of potential new terms to describe "guidance" and "advice", with the final choice of words and approach to implementing them to be confirmed after market research and consumer testing". FAMR put forward an initial list of suggested terms which the panel reviewed.

Any new terms and explanations for "advice" and "guidance" should explain three core characteristics in simple, easy-to-understand language:

- The *nature* of the service to the consumer, in particular, clarity on whether it involves a personal recommendation or not
- The *implications* of the nature of the service for the consumer's decision-making
 - Whether the consumer is responsible for making their own decision based upon the guidance
 - Whether the consumer is provided with a recommendation on how best to meet their objectives based upon their personal circumstances
- The *consequences* of the nature of the service in case something goes wrong, including consumers' right to redress.

1.2 OBJECTIVES

Within the FAWG, a sub-group was established to take action on Recommendation 17, consisting of eight experts with a variety of backgrounds and experiences in the UK "advice" and "guidance" market, from both consumer groups and regulated firms. The sub-group was supported by consultants Oliver Wyman and commissioned market research from Optimisa Research.

The sub-group's objectives were to:

- Publish a shortlist of potential new terms for "advice" and "guidance"
- Propose new, easily understandable explanations for "advice" and "guidance"
- Suggest a plan for effective adoption of the new terms and explanations, including any further work required to finalise implementation.

Financial Advice Market Review, Final report, March 2016

For "advice": Financial advice, Advice with a special recommendation, Specialist advice, Regulated financial advice, Professional advice, Personal advice, Financial planning

For "guidance": Financial guidance, Guidance without a personal recommendation, Assisted self-help, General advice, Financial help, Tailored information

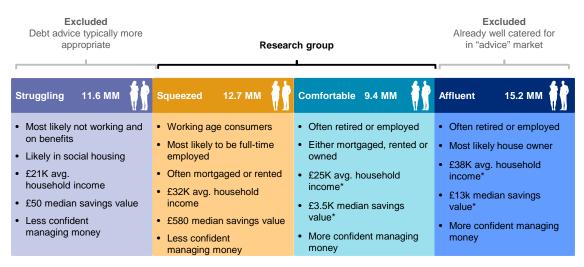
Source: Financial Advice Market Review, Final report, March 2016

1.3 SCOPE

The FAWG has focused its work on the part of the population most in need of additional help with financial decisions. Specifically this excluded those already well catered for by financial advice (the affluent). The research also excluded those struggling under the burden of debt, for whom specific services around debt advice were felt to be more appropriate.

The consumer research undertaken selected a representative sample of the "Squeezed" and "Comfortable" segments as defined by the Money Advice Service 10,111, as shown below, corresponding to around half of the UK population.

Exhibit 3 Research participant selection criteria



^{*} Average household income and median savings values for Comfortable and Affluent segments are inferred from MAS' Market Segmentation Segment Infographics.

1.4 ESTABLISHMENT OF EVIDENCE BASE

To understand the current situation, the FAWG undertook a literature review to assess the terms and explanations used in the market by providers to describe "advice" and "guidance" today.

To inform the FAWG's recommendations, consumer research was then commissioned to better understand consumer perspectives. Participants were selected from the target customer segments "Squeezed" and "Comfortable" in proportion to the overall population.

A first phase of consumer research ("Phase I") was commissioned to determine what consumers understand by "advice" and "guidance", and which services consumers expect to receive when accessing each of these. This consisted of fourteen 90-minute focus groups undertaken in locations across the UK¹², followed by discussions in an online forum. In Phase I, potential alternative terms for "advice" and "guidance" were identified by consumers, and subsequently tested in the next phase of research.

Money Advice Service segmentation defines the 'Cushioned' segment overall, with "Comfortable" and "Affluent" sub-segments within this segment.

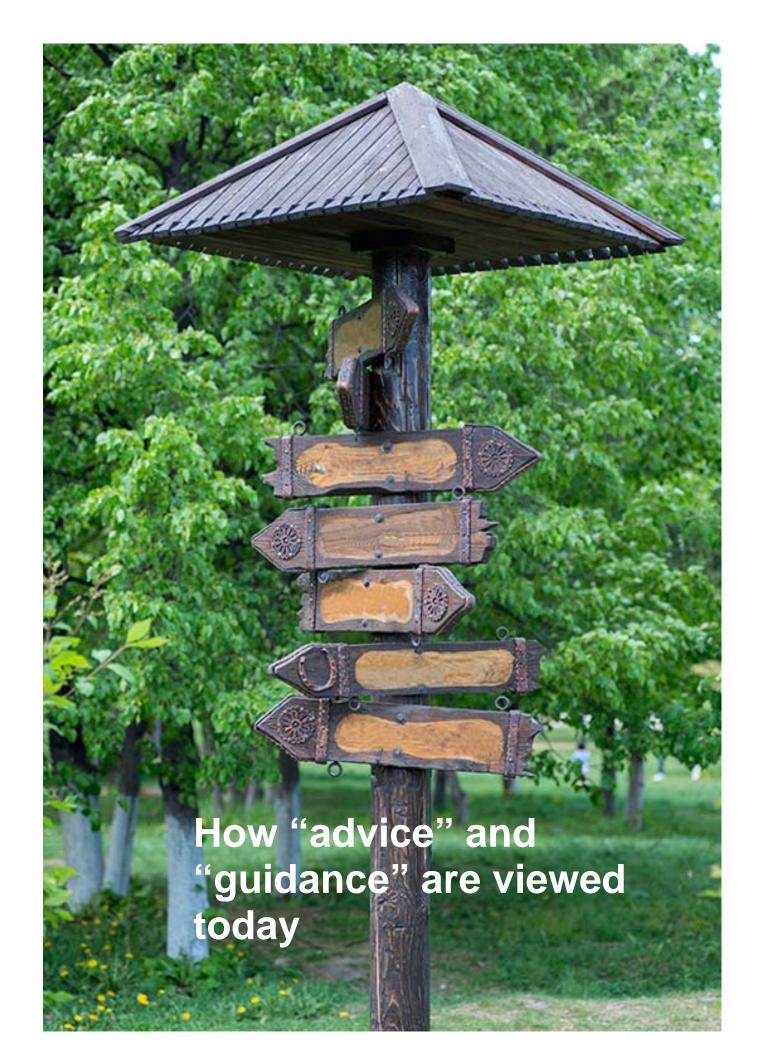
Market Segmentation - An overview, The Money Advice Service, March 2016

Market Segmentation - Segment Infographics, The Money Advice Service, July 2016

Test locations: Belfast, Birmingham, Bristol, Cardiff, Glasgow, Leeds, London

- During a second phase of research ("Phase II"), explanations for "advice" and "guidance" and a shortlist of terms were tested with consumers to identify the most suitable names and explanations. This consisted of an online questionnaire answered by 1,006 participants, followed by sixteen 20-25 minute phone interviews to confirm and substantiate the findings.
- Please refer to Annex A and supporting documentation for further detail and information on the research methodology.

At the end of the process, discussions were held with several industry stakeholders to understand the level of buy-in to the concept of standardising explanations for "advice" and "guidance" and to get feedback on the FAWG's recommendations and proposed implementation steps. This included consumer groups, regulated firms, and industry bodies. Due to time constraints, only a small number of stakeholders were consulted before handover to the FCA and HMT occurred. The FAWG therefore recommends a broader exercise of analysis, appropriate public consultation and Cost Benefit Analysis prior to the adoption of new explanations.



2 How "advice" and "guidance" are viewed today

Today, there are many different explanations used to communicate to consumers what services are available to assist them with their financial decisions. The FAWG's literature review identified not only this inconsistency but also the negative way that guidance in particular was described, i.e. listing the things that the service did not offer rather than explaining how it could help. FAMR concluded that the inconsistency of explanations undermines consumers' ability to understand the nature of various services, and supports the use of simpler explanations that make it easier for consumers to understand the nature, implications and consequences of these services.

2.1 CONSUMERS

Consumers in the UK face complex choices when making financial decisions. Throughout the course of their lives, they will need to make difficult decisions with long-lasting financial implications ¹³.

Exhibit 4 Example financial challenges faced by UK consumers

	Life stage events	Example financial challenges
产	Starting work or joining a new employer	How should I arrange and plan my finances to be well equipped for a new stage in my career?
命	Buying a home	How do I save enough money so I can afford to buy property?
<u>.</u>	Having a baby	How much money do I need to save to raise a family?
(Redundancy/illness/disability/ negative life event	How do I save enough to protect myself and my family from an unexpected calamity?
\$	Approaching retirement (55+)	When and how should I take my pension and what other savings might I use?

As they navigate these decisions, people are using multiple sources of help, but do not naturally think of this as "advice" or "guidance" as shown in Exhibit 5.

Exhibit 5 Sources of help used by consumers for financial assistance Council/Government Comparison Financial Which? websites/ providers call centres Friends/ Parents/ Job Centre **Employer** Colleagues Grandparents The "seller" Credit Google/Siri Citizens Advice e.g. holiday **Unions** company Mortgage advisers Martin Lewis! (independent/attached to moneysavingexpert.com estate agents)

Financial Advice Market Review, Final report, March 2016

FAWG Phase I research, focus groups, December 2016

The nature of "advice" and "guidance"

In particular, the FAWG's focus groups revealed that the nature of the services of "advice" and "guidance" are poorly understood 15, as shown in Exhibit 6:

- Participants had conflicting views on what constitutes "advice" and "guidance", with many transposing the meaning
- Participants lacked understanding of what services to associate with "advice" and "guidance"
- Participants were unfamiliar with the concept of "guidance" in a financial context.

Exhibit 6 Phase I focus group results - Words associated with "guidance" and "advice"



Note: The size of the word corresponds to how often it has been mentioned

Confusion on the terms was most apparent amongst younger consumers, who were most likely to transpose the meaning of "advice" and "guidance":



You will be guided in a particular way which should benefit you... guidance is slightly more controlled than advice which you can very much take or leave. Guidance is more on going. Guiding along the way. Guidance is long term.

Starting work, Younger, London

Implications of choice of service

While the term "financial advice" was widely recognised, it typically triggered no immediate link to regulation, protection or a personal recommendation. It was more commonly associated with 'mis-trust' and 'mis-selling', with some participants raising questions over the independence of financial advisers.



You can't trust financial advice, they're in it for themselves.

- Redundancy, Younger, Cardiff

In contrast, "financial guidance" was not a familiar term, particularly to younger consumers. It was often interpreted as support and help when in debt or help with form-filling and processes.

13

FAWG Phase I research, focus groups, December 2016



Never heard of [guidance] unless you mean when they guide you on filling in all the mortgage applications for your first house.

- Having a baby, Older, Birmingham

Consequences

Consumers have little awareness of the protection available to them if something goes wrong. In the FAWG's research, few of the participants were aware of their rights and options for redress under "advice" or "guidance". In general, participants were deeply sceptical of the potential for them to actually obtain redress if something went wrong.



It's little us against the big corporations

- Approaching retirement, Older, Belfast

Impact of explanations

Despite the current lack of understanding of the services of "advice" and "guidance", the FAWG's research showed that when short consumer-friendly explanations were provided of these services, consumers' understanding improved considerably and that the key differences between the services could be quite easily understood. This strongly supports the argument that clear explanations are more important than just new terms for the services.

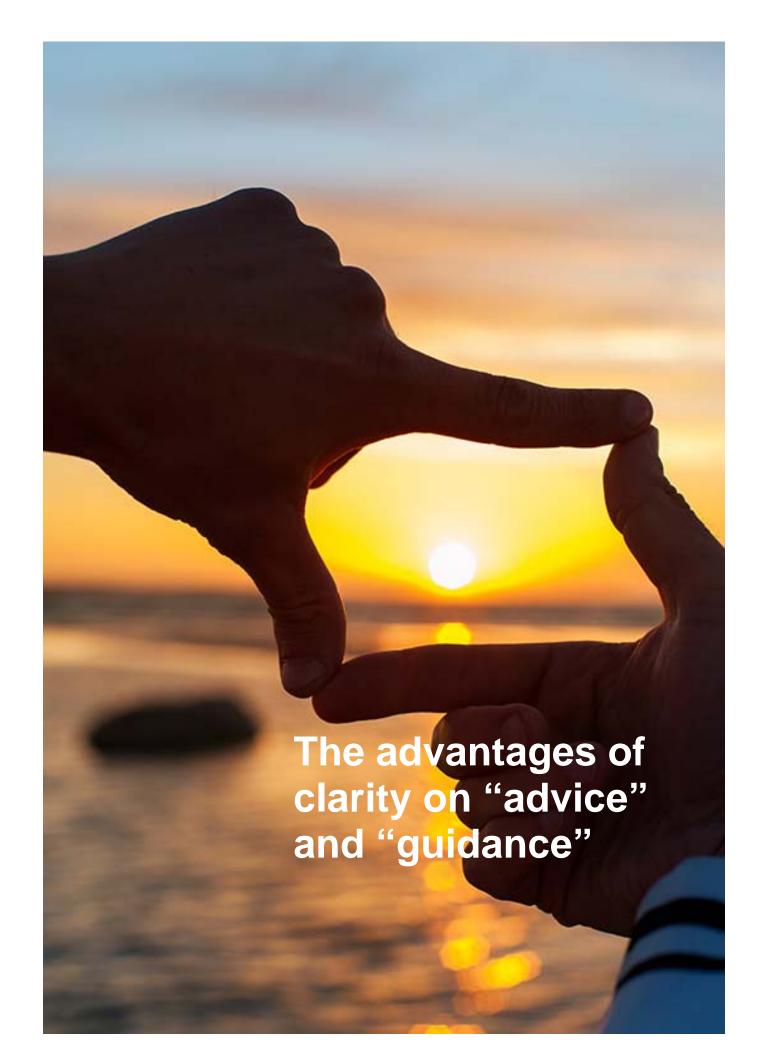


Easy and simple. It would be impossible to misunderstand this [explanation]

- Buying a home, Younger, Bristol

2.2 REGULATED FINANCIAL SERVICES PROVIDERS

Consumers often turn to financial services providers for help on financial decisions, ranging from simple questions such as "should I invest in an ISA" to more complex questions around pension choices etc. Many regulated financial services providers find the boundary between "advice" and "guidance" to be unclear. FAMR found that in many cases providers feel they are unable to offer "guidance" in these situations or stop a safe distance from the regulatory boundary, leaving customers feeling frustrated and needing to look elsewhere for help or making poorly informed decisions. "Guidance" is often explained in negative language (e.g. "this is not advice", "it does not give you a recommendation" etc, rather than explaining what it can do), which further adds to confusion and frustration for consumers.



3 The advantages of clarity on "advice" and "guidance"

3.1 CONSUMER UNDERSTANDING AND CONFIDENCE

The core thesis of FAMR is that consumers need more help in making financial decisions than they are receiving today. Developing clear and consistent explanations for "advice" and "guidance" should deliver two direct benefits to consumers:

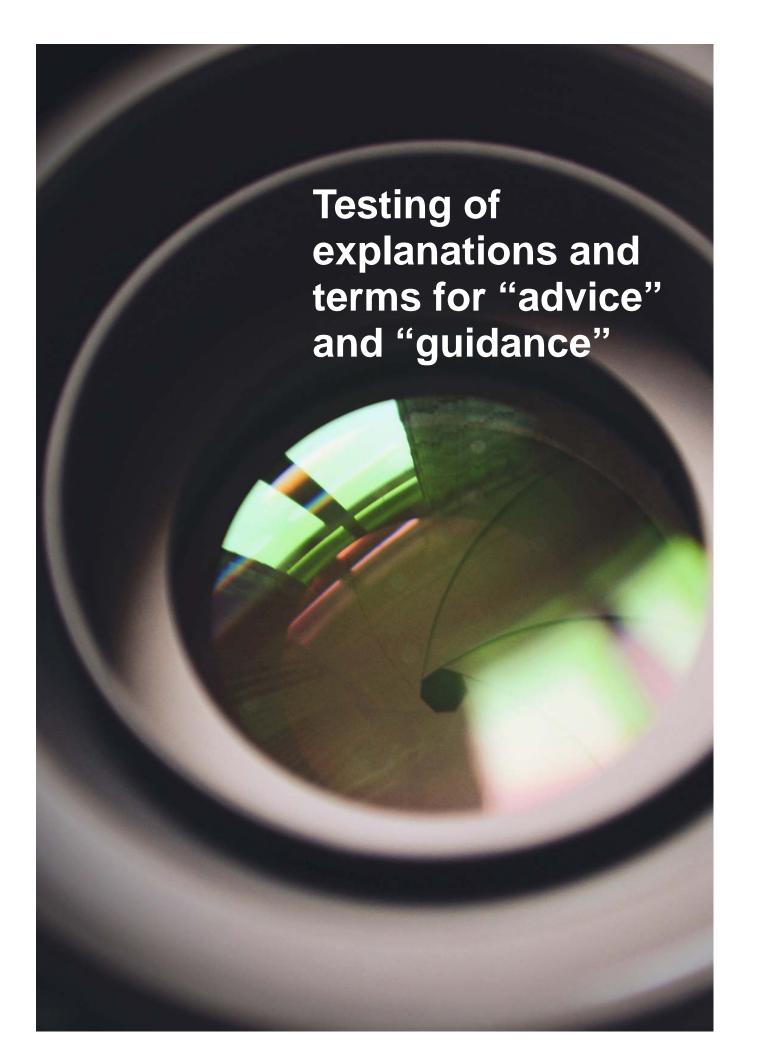
- Better understanding and awareness of the availability of help for financial decisions, empowering consumers to seek and find more help of the appropriate nature than they are receiving today
- Better understanding of what consumers can expect each type of service to deliver for them, the implications for their decision making, how much it will cost and the different access to redress available under each service.

3.2 CLARITY AND CONSISTENCY FOR PROVIDERS

Consistent consumer-friendly explanations should help providers to meet more of consumers' needs in respect of help with financial decisions. This should come about through:

- Encouraging more providers to provide "guidance" and help to consumers
- Setting clear, consistent consumer expectations about the types of help they can expect, the implications of their choice and the protection if things go wrong.

The FAWG expects consumers to benefit from increasing the provision of "guidance" services. For this to be achieved, clearer explanations are necessary, but not sufficient. The FAWG expects that progress will need to be made across the range of FAMR recommendations to significantly improve this provision.



4 Testing of explanations and terms for "advice" and "guidance"

The FAWG employed a consumer-led approach to develop and test a set of explanations and a shortlist of potential new terms for "advice" and "guidance":

- Representatives of the consumer groups led the development of initial explanations of "advice" and "guidance" to be tested, working with financial services industry representatives.
- The first phase of consumer research explored consumers' understanding of existing terms and potential new terms for "advice" and "guidance" to identify those that did and did not resonate with consumers in the context of financial decision-making; it also tested the initial explanations to gauge how well these were understood, how well they aligned with the terms and how they could be improved.
- A shortlist of potential new terms was created using all the terms generated by consumers that resonated within their groups and a small number of additional terms based on the experience of the panel members. In addition the explanations of "advice" and "guidance" were refined based on the consumer feedback. The shortlisted terms and refined explanations were then tested in a second phase of research to identify consumers' preferred terms, establish the clarity of the explanations and identify further improvements to the explanations and how these could be presented.
- The explanations were then further refined based on feedback from the second phase of research.

4.1 EXPLANATIONS

Phase I research had shown that presenting concise, consumer-friendly explanations made the biggest difference to consumers' understanding of "advice" and "guidance, as highlighted in Section 2. In Phase II, revised explanations as shown in Exhibit 7 for "advice" and "guidance" were developed and tested with consumers. Participants were asked to rate the description in terms of clarity. The results of the questionnaire showed that 90% of respondents viewed these as "very clear" or "quite clear" – these findings were consistent across the test population. Compared to consumer research norms, these results indicated a very strong level of support from consumers.

"Guidance"

- This service will work with you to identify your options and help you narrow down your choices, but will not tell you what to do or which product to buy; the decision is yours.
- If necessary it will direct you to other sources of help or suggest that you take formal advice.
- Providers of this service are responsible for the accuracy of the information they provide but not for any decision you make based on it
- This service is usually free.
- · It will suggest what you could do.

"Advice"

- This service will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.
- This service may be provided by a qualified and regulated individual or through an automated system from a fully regulated provider.
- Providers of this service are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.
- You will usually pay a fee for this service.
- · It will recommend what you should do.

The research then examined ways in which the descriptions could be made clearer still, which included:

- A. Providing further detail on the expected costs associated with each service
- B. Providing further clarification on what 'regulated' means
- C. Explaining what is meant by an "automated system" for advice
- D. Explaining that "guidance" is impartial
- E. Making the explanations even shorter
- F. Allowing access to more detailed explanations and/or examples (for example via popups)

Based on this feedback, the FAWG refined the explanations to the final version shown in Exhibit 8. In addition, the FAWG developed examples and more detailed explanations of the two services. These can be seen in Annex C.

"Guidance"

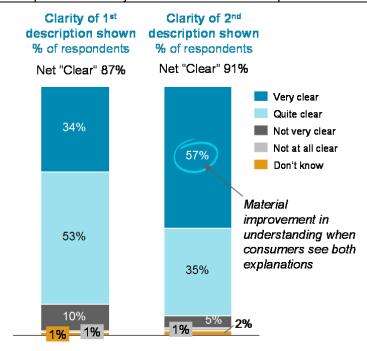
- Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.
- Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it.
- Guidance is free unless your provider clearly tells you otherwise.
- It will suggest what you could do.

"Advice"

- Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.
- Advice will be provided by a qualified and regulated individual or online by a regulated organisation.
- Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.
- You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.
- · It will recommend what you should do.

The research also highlighted that understanding of the explanations increased significantly when the two services were presented together. Respondents were shown both explanations in short succession and random order, and were asked to rate the first before seeing and rating the second. As shown in Exhibit 9 below, the consumer rating for the second explanation seen is significantly higher than that for the first.

Exhibit 9 Consumer opinion on clarity of first vs second description shown



4.2 TERMS

Based on the Phase I research, the FAWG developed a shortlist of terms that were tested in Phase II:

"Guidance"

- · Financial Guidance
- · Financial Options
- · Financial Choices
- · Money Advice
- · Money Guidance

"Advice"

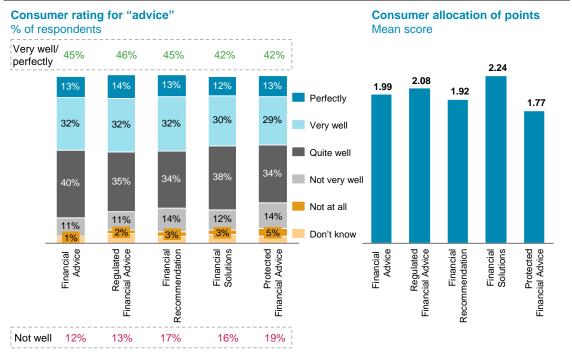
- Financial Advice
- · Regulated Financial Advice
- Financial Recommendation
- · Financial Solutions
- · Protected Financial Advice

Respondents were shown the terms one by one and asked to say how well they fitted the explanations, from "perfectly" to "not at all". Then, respondents were shown all the terms together and asked to allocate 10 points across with the highest number of points to the term they thought best fit the explanation and so on.

For both "advice" and "guidance", consumers did not express any clear preference for a new term. In both cases there were two terms which scored marginally better than the others tested but without a single winner:

- For "advice", the preferred terms were "Regulated Financial Advice" and "Financial Solutions", as shown in Exhibit 11.
- For "guidance", the preferred terms were "Financial Guidance" and "Financial Options", as shown in Exhibit 12. Consumers preferred terms which included the word "financial" to terms including the word "money".

Exhibit 11 Phase II online questionnaire results for preferred terms for "advice"



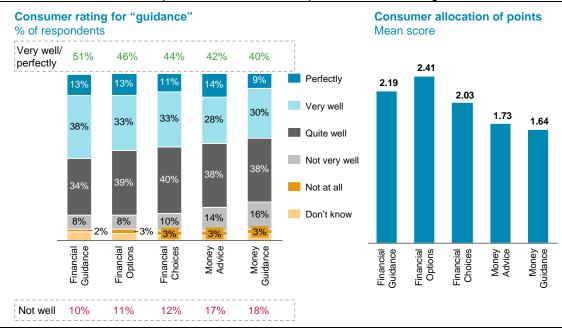


Exhibit 12 Phase II online questionnaire results for preferred terms for "guidance"

Responses were broadly consistent across the different sub-segments of the research population. However, a few notable differences were observed:

- In general, respondents with lower financial confidence were less likely to indicate that a name fitted 'perfectly' or 'very well'. While these respondents showed limited preference for any of the terms for "advice", they showed a preference for "Financial Guidance" over any of the other terms for "guidance".
- For "guidance", a lack of preference for terms including the word "money" was consistent across most groups, with the most notable exception being Squeezed Younger Adults, who rated "Money Advice" almost as highly as "Financial Guidance" and "Financial Choices".

Alongside the consumer research findings, the FAWG considered the industry impact of the adoption of new terms, supported by a small number of discussions with industry stakeholders outside the FAWG. While more industry consultation is required to inform the views of all relevant stakeholders in the sector, the findings so far indicate that:

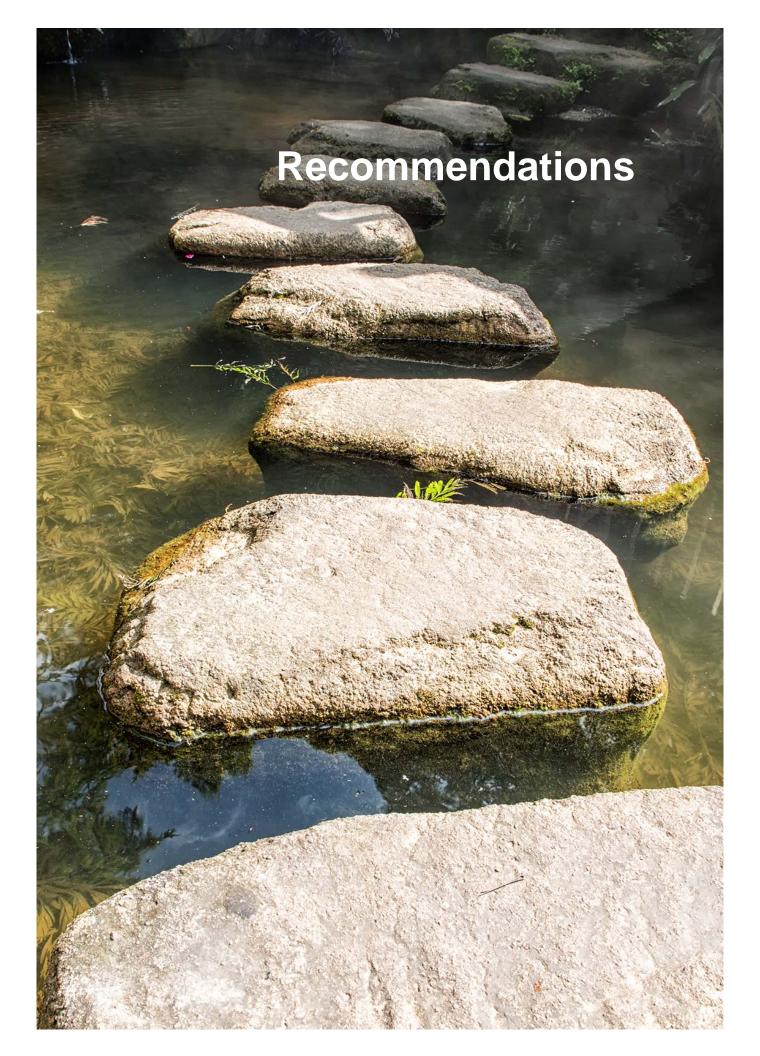
- There is limited appetite from the industry for material changes to the terms. A significant majority of those we interviewed thought that a change in terms was not justified given the outcome of the consumer research.
- Significant changes from current terms ("advice" and "guidance" and variants thereof) would require additional changes in the surrounding ecosystem, such as changes to customer journeys and the names of those delivering the service (often called "advisers" or "guides" today).

Based on this evidence and considering the benefits and costs of changing the terms, the FAWG concluded that there is no compelling case to change the terms for "advice" and "quidance", on the grounds that

- Evidence from our research shows that:
 - There was not strong consumer support for any one new term for "advice" or "guidance"

- There was not a significant consumer benefit from moving to significantly different terms (e.g. Financial Options or Financial Solutions) i.e. changing the name did not improve consumer understanding
- The costs of such a change would be significant.

The provision of clear explanations, presented together, is much more important than changing the terms used to describe the services.



5 Recommendations

5.1 ADOPTION OF CONSUMER-FRIENDLY EXPLANATIONS

Terms for "advice" and "guidance"

On balance, the FAWG is of the view that the terms for "advice" and "guidance" should not be changed as there is no clear consumer preference for new terms to justify the costs of changing them.

Consumer-friendly explanations

The FAWG recommends that the market should (subject to the FCA's required process of analysis, appropriate public consultation and Cost Benefit Analysis) adopt a single consistent set of consumer-friendly explanations for "advice" and "guidance". The single set of explanations should be substantially similar to those shown in Exhibit 13 below, which have been developed through the FAWG's consumer-led work.

Exhibit 13 FAWG explanations for "guidance" and "advice" (developed through consumer research)

"Guidance"

- Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.
- Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it.
- Guidance is free unless your provider clearly tells you otherwise.
- It will suggest what you could do.

"Advice"

- Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.
- Advice will be provided by a qualified and regulated individual or online by a regulated organisation.
- Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.
- You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.
- It will recommend what you should do.

When consulting further on the explanations, consideration should be given to:

- Whether the use of the word "impartial" in the explanation of "guidance" is viable without changing the regulations
- Potentially moving the last point of each of the explanations to the start to provide a very simple explanation up front.

It should be noted that the explanations are intended to be used only for the purpose of improving clarity to consumers. They are not intended to define the scope of "advice" and "guidance" services, nor are they designed to replace any regulatory language for providers.

Scope of adoption

The application of the new explanations should be as broad as possible. This should include:

- Regulated entities
- Government-backed guidance providers (e.g. the new body to be formed from MAS, Pensionwise and TPAS)
- Other providers of "guidance"
- Employers
- Industry bodies
- Media and other industry commentators.

To ensure the most widespread adoption, the FAWG recommends that

- Entities regulated by the FCA are (subject to the FCA's required process of analysis, appropriate public consultation and Cost Benefit Analysis) mandated to use the consistent explanations. While the FCA should determine the most appropriate scope of entities to be covered by these recommendations, the FAWG suggests that in principle the use should be as widespread as possible across firms supporting consumers on financial decisions.
- The explanations are used by Government-backed guidance bodies.
- For other providers of guidance and other entities, the FAWG recognises that it is not feasible to mandate use but would encourage these entities to view the use as good practice and hopes that having a critical mass of regulated providers would support this.
- The FCA and, where appropriate, HMT should implement these recommendations, and should assign the appropriate resources and budget to doing so.

Use of explanations

The FAWG suggests that the following principles should guide the manner in which the explanations are used to maximise the benefit consumers gain from them.

1. Accessibility

- The explanations should be made available to consumers when they come into contact with a regulated provider of advice or guidance, regardless of who initiates the contact.
- This includes via direct contact in person, online, by phone and in writing, and via static information provided on the internet.
- The explanations should be provided side by side, with a clear indication as to which service is being provided to the consumer.
- Firms should seek to be transparent by ensuring the explanations are upfront, not hidden, and easily accessible to all consumers.

2. Use

- The explanations should be provided as early as possible in the consumer journey.
- Firms should state that full descriptions exist and signpost to them in written and online content. Full descriptions should be provided to any consumer who requests it.

- The explanations should also be provided before any purchase decision is made, or agreement entered into, so the consumer understands which service they will receive and the implications of this on their decision.
- Firms should be free to supplement the explanations with additional information to help the consumer, for example including a table of costs or an explanation of a typical consumer journey.

5.2 MEASURES OF SUCCESS

The FAWG proposes two direct measures of the success of these recommendations, which should be tracked as part of Recommendation 27 of FAMR:

- The number of organisations using the consumer-friendly explanations
- The percentage of consumers that can accurately describe the service delivered under "advice" and "guidance".

The FAWG would like to achieve an end result of increased access to "guidance" and "advice", a greater share of consumers receiving support appropriate to their needs and ultimately better outcomes for consumers (i.e. that the "guidance" and "advice" is of good quality and leads to better decisions).

6 Annex

A. Additional detail on research methodology

The table below summarises the approach to consumer research undertaken as part of this work. Further details are available in the research reports published alongside this report.

Table 1: Methodology - Additional detail

	Phase I	Phase II		
Aim	 Developing a good appreciation of what consumers understand by "financial advice" and "guidance" Understanding what services are expected when accessing each of these Identifying any areas of overlap or confusion Capturing suggestions for how these services could be described more clearly 	 Testing a shortlist of new terms and explanations Providing a final set of consumer tested terms and descriptors for "Advice" and "Guidance" 		
Who	 MAS "Squeezed" and "Comfortable" Consumers experiencing one or more of the following life events and who have sought financial help in the past six months or intend seeking financial help in the next six months: Approaching retirement (55+) Buying a home Starting work / changing jobs Having a baby / starting a family Redundancy/illness/disability/negative life event 			
Design	 14 x 90 minute consumer focus groups Post group reflective online forum 	 Online questionnaire answered by 1,006 participants Followed by 16 x 20-25 minute phone interviews 		

B. Evolution of explanations for "advice" and "guidance"

The consumer-friendly explanations for "advice" and "guidance" were developed by the FAWG and evolved based on the consumer research. Table 2 shows the evolution of these explanations.

Table 2: Detailed explanations and examples for "advice" and "guidance"

Version developed in Phase I research

"Guidance"	"Advice"
Guidance will help you find a way forward but it will not recommend a specific course of action.	Financial advice will recommend the best course of action for you to take. This will be personal to you, based on information you provide.
You may be asked questions about you and your circumstances to enable the service providing the guidance to narrow down the options you can choose from.	Financial advice will be provided by a qualified and regulated person which means you are protected by law if things go wrong.
You might be signposted to other sources of help or onto advice.	You will usually pay a fee for financial advice.

Version tested in Phase II research

"Guidance"	"Advice"			
[XXX service] will work with you to identify your options and help you narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.	[XXX service] will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.			
If necessary it will direct you to other sources of help or suggest that you take formal advice.	[XXX service] may be provided by a qualified and regulated individual or through an automated system from a fully regulated provider.			
Providers of [XXX service] are responsible for the accuracy of the information they provide but not for any decision you make based on it.	Providers of [XXX service] are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.			
[XXX service] is usually free.	You will usually pay a fee for [XXX service].			
It will suggest what you could do.	It will recommend what you should do.			

Final updated version following research

"Guidance"	"Advice"				
Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.	Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.				
[Deleted]	Advice will be provided by a qualified and regulated individual or online by a regulated organisation.				
Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it.	Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.				
Guidance is free unless your provider clearly tells you otherwise.	You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.				
It will suggest what you could do.	It will recommend what you should do.				

C. Detailed explanations and examples for "advice" and "guidance"

To support the recommendation that more detailed explanations should be made available to consumers who request them, the FAWG developed the explanations and examples shown in Table 3 below. These were not tested with consumers in this work and FAWG recommends that consumer testing is conducted on these more detailed explanations before they are used in practice (including testing the most effective ways to use them).

Table 3: Detailed explanations and examples for "advice" and "guidance"

		xpianations and examples for advice and		
	"Gu	idance"	"Ac	dvice"
Summary		Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.	•	Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.
			•	Advice will be provided by a qualified and regulated individual or online by a regulated organisation.
		Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision you make based on it.		Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.
	-	Guidance is free unless your provider clearly tells you otherwise.	-	You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.
	-	It will suggest what you could do.	•	It will recommend what you should do.
What is it?	•	Information and options, often tailored to your personal circumstances. It does not include a recommendation as to the course of action you should take – this will be for you to decide.	•	A recommendation which is personal to you, based on your personal situation, needs and objectives.
	•	It is what you could do	•	It is a recommendation of what you should do
What does this involve?		This will depend on the nature of your enquiry and who is providing you with the information and options. Guidance covers a spectrum from providing basic information, through to asking a range of questions about your personal circumstances and providing a set of options for you to consider.		You will need to provide information about your circumstances and needs and objectives during an information gathering process. Recommendations, which are personal to you, will be tailored to your situation and include reasons for the choice
What should I expect?	•	Accurate, not misleading information and options to help you make a decision	•	A recommendation that is suitable for your personal situation, needs and objectives, with a clear reason for that recommendation
When is this more relevant?	-	Guidance can be relevant in many situations, for example:	-	Larger or longer term decisions Where you require a description of a specific
		- When you don't know how to solve your query		course of action taking into account all your relevant circumstances
		 To help you narrow down your options and plan what next steps you could take 		
		 Right through to when you are confident in your own skills and just want to check facts or get more information on the options available. 		
Are any products, services or investments not covered?	-	Guidance can cover any products, services or investments.		Advice provided on some types of investment, including deposit accounts (except stakeholder deposit accounts), foreign exchange, commodities and real property may not benefit from the same protections as advice given on other financial products.
What are the costs?	•	Typically no charge	-	Normally up front and/or ongoing fee as agreed.

	"Gu	idance"	"Ac	dvice"
What happens if I want to complain?	-	Providers of guidance are responsible for the accuracy of the information they provide.	-	Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make.
	•	You cannot generally claim compensation or complain if the guidance was accurate but you weren't happy with the outcome of the decision you made based on it.		If the advice is unsuitable, you are protected by law and can complain to the firm that provided the advice.
	•	However, if the guidance was inaccurate or misleading, including if you're unhappy with how the guidance was given, you may have cause for complaint. If this is the case you should complain to your guidance provider in the first instance.		If your complaint is rejected, you can refer it to the Financial Ombudsman Service (FOS).
	•	If your complaint is rejected, you can refer it to the Financial Ombudsman Service (FOS), as long as your guidance came from a regulated source.		
Who is it delivered by?	•	Charities	•	Fully regulated providers of financial advice.
delivered by ?	-	Independent guidance bodies		This may be qualified financial advisers who have passed exams set by the financial
	-	Government		regulator or online tools provided by fully regulated firms
		Product providers (banks, investment platforms, life cos)		regulated IIIII3
How is it delivered?	•	Paper/leaflets	-	On-line/mobile apps
delivered:	-	On-line/mobile apps	•	Phone
	=	Phone	•	Face to face
	•	Face to face		
Example		k has a lump sum he wants to save. A service viding guidance:		k has a lump sum he wants to save. A service viding advice:
	•	Will typically ask Jack some questions about what he is looking to achieve and based on that may ask him more about his personal circumstances	•	Will ask Jack for information to build a full picture of Jack's financial circumstances and what Jack is looking to achieve
	•	Will tell Jack what his saving options are in broad terms	•	Will explain the different options available to Jack, including presenting specific savings accounts, ISAs and pensions offered by
	•	May tell Jack about the pros and cons of savings accounts, ISAs and pensions	_	various companies
	•	May show information on different products, such as best buy tables		Will recommend a specific product or course of action that best suits Jack's personal circumstances and his financial goals and the
	•	May provide some options based on the basic personal information and financial goals (e.g. age, lump sum amount) that Jack has provided		rationale for that recommendation
	•	BUT will not tell Jack what option he should choose - this will be for Jack to do		

D. Advice & Guidance Sub-Group members

Member	Position	Institution
Nicky McCabe (Chair)	Head of Investment Trusts	Fidelity
Teresa Fritz	Member	Financial Services Consumer Panel
Craig Errington	Member	Small Business Practitioners Panel
Richard Piggin	Campaign Manager	Which?
Sarah Duguid	Strategic Review, Insurance	Lloyds Banking Group
Richard Freeman	Chief Distribution Officer	Old Mutual Wealth
James Hewitson	Head of Wealth & Insurance Products & Propositions	HSBC
Andrew Seager	Head of Service Development	Citizens Advice

The sub-group was supported by consultants from Oliver Wyman and the primary research was conducted by Optimisa Research. The FCA provided secretariat support to the FAWG.