



Financial Advice Working Group – Foreword

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for HM Treasury and the Financial Conduct Authority

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The Financial Advice Working Group (FAWG) was given three tasks by the Financial Advice Market Review:

- **Recommendation 12:** The Financial Advice Working Group should work with employers to develop and promote a guide to the top ten ways to support employees' financial health.
- **Recommendation 17:** The Financial Advice Working Group 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.
- **Recommendation 18:** The Financial Advice Working Group should lead a task force to design and test a set of rules of thumb and nudges.

This report details the output of the group, which has served from June 2016 to March 2017. We have sought to be rigorous and fact based in our work, using market research with consumers and employers, interviews and desk top reviews. We have met, both in subgroups focussed on the individual tasks, and as a single group, to review and debate the conclusions of those subgroups. There have been 8 meetings of FAWG and 24 of the subgroups.

In developing the guide for Recommendation 12, the subgroup undertook a detailed literature review, expert interviews and consumer research, with over 240 employers and 40 employees, across a series of telephone interviews and focus groups as part of its research.

For Recommendation 17, a shortlist of terms and associated explanations was derived from an initial phase of consumer testing, carried out in fourteen 90-minute focus groups across the UK and a subsequent online forum. The second stage of research tested the shortlisted potential new terms and their associated explanations with a larger sample of consumers via a quantitative survey with 1,006 participants, and sixteen in-depth telephone interviews.

For Recommendation 18, the recommendations are designed around common consumer financial needs, which have emerged from a global survey of over 10,000 media sources, in-depth expert interviews, and testing with over 70 consumers, using both interviews and focus groups. The subgroup also identified and engaged with potential 'nudge agents' who are well placed to prompt action, including government agencies, employers and financial services providers.

There are four critical conclusions that the FAWG would like to highlight:

First, on Employer Best Practice, there is a clear need and appetite for guidance for employers who are seeking to help their employees to think actively about their financial wellbeing. In order to satisfy this demand, multiple parties should be enlisted to distribute and highlight the guide. MAS (and its successor) clearly has a critical role to play, and must be properly resourced to deliver the guide now and in the future.

Moreover, the full potential of the work will only be realised if those who interact regularly with employers and their employees use the guide as part of the material they provide or signpost. It should be possible to 'white label' the guide.

Second, on the Terms for Advice and Guidance, there is no evidence that changing the terms will improve consumer understanding and no strong support for any of the alternative names. However, there is strong evidence of traction with consumers once consumer friendly explanations of the terms are used in conjunction with the terms themselves. Further, there is greater traction when the explanations are used as a pair, rather than on their own. These are important insights and offer potential for a great improvement over the status quo, where multiple terms and definitions confuse consumers (not to mention many others). However, that potential will only be realised if regulators and providers of 'advice' and 'guidance' actively and consistently use the terms and suggested explanations.

Third, on Rules of Thumb and Nudges, the research has demonstrated that the majority of consumers' financial needs are rooted in the present - managing debts and making their income go further, with savings and pensions being out of reach for many, so the idea of nudges was generally welcome.

The proposals for rules of thumb recognise the need for people to get started on sorting their finances, and so resonate with consumers. The subgroup did not test nudges on consumers. MAS and its successor (again with the appropriate priority and resourcing) will need to test the rules of thumb and develop the nudge framework, in conjunction with potential 'nudge agents' including regulators, government bodies, employers, voluntary organisations and the financial services industry. There is a real opportunity to use technology to reach a wide cross-section of people - and a challenge to develop nudges that work for the digitally excluded. It will be important for the industry to ensure its communications are 'sales free', given the widespread distrust of financial services firms consumers expressed during the research. Equally, the regulatory framework for personalised communication should allow for appropriate nudges to occur.

Fourth, the FAWG passionately believes that, to make our work a successful reality will require momentum, prioritisation and resource and we look to HMT, FCA and MAS to lead that work. FAWG have made detailed recommendations for further work and next steps, without which the work of the group will go unfulfilled. Given the effort and investment in the process made by the FAWG, and the confidence in its work, that would clearly be a profoundly unsatisfactory outcome. For continuity, the FAWG will look to its members who sit on the FCA Smaller Business Practitioner Panel and Financial Services Consumer Panel to hold HMT and the FCA accountable for timely implementation of our recommendations and to track their ongoing progress.

I would like to thank all the stalwart members of the Group (and subgroups) who served throughout the process. In particular, I would like to thank the subgroup chairs, Jackie Noakes, Nicky McCabe and Sue Lewis, without whom the work would not have happened. Finally, special thanks go to McKinsey and Oliver Wyman, who supported us in our work with great generosity and energy, for which the FAWG is hugely grateful.

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