Financial Capability: the Government's long-term approach

January 2007

HM TREASURY

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EXECUTIVE SUMMARY

As financial products become more sophisticated, and the pace of economic, social and demographic change increases, it becomes more important for consumers to engage with financial services with skill and assurance. However, the Financial Services Authority (FSA) has identified low levels of financial capability across the UK, especially among young people. There are, in particular, widespread weaknesses in planning ahead and choosing financial products.

The Government has pursued a wide-ranging agenda focused on improving financial services markets for the retail consumer, creating an effective, independent and risk-based regulatory regime, introducing simple, low-cost stakeholder investment products and measures to promote financial inclusion.

The Government believes that these supply-side measures will be more effective if consumers are equipped to play an active role in the market. Raising consumers' financial capability – the knowledge, skills and motivation to manage their finances – will have lasting benefits for individuals, the financial services industry and the wider UK economy.

The FSA leads the National Strategy for Financial Capability, working in partnership with the Government, industry and the voluntary sector. Over time this is intended to deliver a step change in the nation's financial capability. The FSA's programmes cover schools, young people and new parents, as well as providing advice in the workplace and to hard-to-reach groups.

The Government must now play an active role in meeting the financial capability challenge, to enable faster progress and extend the reach of financial capability. With additional Child Trust Fund (CTF) payments to 7-year-olds from 2009, and the implementation of personal accounts for pension saving from 2012, the Government has new opportunities to promote greater capability across the life cycle.

The Government believes that there is a gap in the market for affordable "generic" – i.e. personalised but unregulated – financial advice. Lack of access to advice can lead to poor financial decisions and the need for crisis intervention. A more preventative approach is needed, and the Government considers that a national approach to the provision of generic advice is required.

The Government's long-term aspirations are to ensure that:

- all adults in the UK have access to high-quality generic financial advice to help them to engage with their financial affairs and make effective decisions about their money;
- all children and young people have access to a planned and coherent programme of personal finance education, so that they leave school with the skills and confidence to manage their money well; and
- a range of Government programmes is focused on improving financial capability, particularly to help those who are most vulnerable to the consequences of poor financial decisions.

The Government's long-term approach for financial capability must forge an ambitious agenda that supports the wealth of emerging best practice by the FSA, the voluntary sector and the financial services industry. The Government's approach will complement, and be coordinated with, the FSA's National Strategy for Financial Capability. This document discusses the areas in which the Government will enhance its own efforts and consults on the way forward.

The Government intends to review the policies and programmes which have the potential to raise financial capability and to set long-term goals for the contribution each can make. This will include:

- children, young people and families: improving information and advice for young people, promoting opportunities for children to learn about money, and sign-posting to information and advice for parents through extended schools and Sure Start Children's Centres;
- the curriculum: giving financial education a secure place on the educational agenda and issuing revised curriculum guidance;
- Child Trust Fund: promoting the CTF as a learning tool to bring personal finance to life in the classroom, linked to the first payments for 7-year-olds in 2009;
- adult skills: integrating financial education into basic skills learning; promoting the use of financial education as a route to literacy and numeracy skills;
- planning for retirement: making better use of pensions information to equip people to take decisions about their retirement; ensuring that the introduction of personal accounts is supported by appropriate information and generic advice;
- parents and carers: ensuring that personal finance resources prepared for parents are effectively distributed through trusted intermediaries; and
- ensuring there is effective signposting to information and advice about personal finance from a range of Government services such as the Social Fund and Jobcentre Plus.

To take forward this agenda, the Government will:

- set up an **independent feasibility study**, led by Otto Thoresen, Chief Executive of AEGON UK, to research and design a national approach to generic financial advice;
- establish a **ministerial group**, chaired by the Economic Secretary to the Treasury, to develop, oversee and coordinate the Government's work. This group will develop the Government's cross-cutting approach to financial capability, with ministers participating from the Department for Work and Pensions, the Department for Education and Skills, the Department of Trade and Industry, the Cabinet Office and the Department for Communities and Local Government;
- publish an **action plan** by the end of 2007, setting out how financial capability will be integrated into existing services, particularly for those most vulnerable to the consequences of poor financial skills.

1 INTRODUCTION

Financial services and consumers: future challenges

1.1 To participate effectively in the modern UK economy, individuals must have access to financial services and use these with confidence. People have always faced complex financial decisions throughout their lives: balancing income with day-to-day living expenses, managing borrowing for major purchases, such as buying a home, and planning ahead to meet their future needs or unforeseen risks. Financial products and services help consumers to meet these requirements and fulfil their wider aspirations.

1.2 However, the financial issues faced by consumers are constantly evolving as broader changes in the UK's economy, society and demography present individuals with fresh challenges. Increasing numbers of people are engaging with financial issues at younger ages – financial responsibility starts earlier than ever before. Everyone faces these challenges, across the life cycle and at key decision points.

1.3 *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review* highlighted the changing composition of consumer demand and wider demographic trends.[1] By 2017 the UK is expected to have 1.9 million more people aged 65–84 and 0.5 million more aged over 85, compared with 2004.

1.4 There are also challenges of particular relevance to financial services:

- all new parents have the opportunity to make an investment decision about their baby's Child Trust Fund (CTF). By 2018 every 16-year-old in the UK will manage their own CTF; by 2020 they will have access to the money in their fund. Many 18-year-olds now have more financial responsibility than their parents did. They are likely to have a bank account; many have access to credit or are studying with the benefit of a student loan;

- young people also need to plan for longer and more diverse working lives, with a premium on improving skills and lifelong learning. With the decline in defined benefit pension schemes, those entering the workforce now must also engage in planning for their retirement in a way which many in previous generations did not have to do;

- the Government is planning to introduce a new system of personal accounts from 2012, which will give up to ten million people access to a low-cost portable workplace pension scheme for the first time. Greater financial understanding will be a key asset for all employees to secure the best outcomes from a reformed pension system;[2] and

- increased longevity means planning for a longer retirement; and increases in home ownership mean that, for many people, their home is their main asset as they approach retirement. Retirement brings many people into contact with new types of products, such as annuities and equity release, as they decumulate assets built up over a lifetime to generate a retirement income.

[1] HM Treasury, *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review*, November 2006.

[2] Department for Work and Pensions, *Personal accounts: a new way to save*, December 2006.

Financial services: choice and innovation

1.5 At the same time as the challenges and decisions facing individuals grow, the financial services industry continues to undergo significant evolution. The international economy and financial innovation give people access to an ever-increasing array of products and services designed to meet a wider variety of specific needs and circumstances.

1.6 Technological advances and product innovation have allowed firms to increase the range of financial services that they offer and broadened the channels through which they are made available. The single European market in financial services has increased choice yet further. The UK financial services sector has responded well in the past to change and continues to evolve to meet consumers' needs.

Market challenges

1.7 Despite the increasing demand for financial services, and the advances that enable the supply side to respond, in some respects financial services markets do not work well for consumers. Many products are inherently complex, future performance is hard to assess and there are significant information asymmetries. Information about costs and features can be opaque, making it difficult for consumers to search for and compare products successfully. Disclosure documents – intended to inform consumers about the products they are buying – may run into dozens of pages and are often difficult to understand. The Financial Services Authority (FSA) is currently analysing this issue.[3]

1.8 Professional advice should ameliorate some of the problems in the market, helping consumers to determine their financial needs and to find the right product if needed. For many consumers this is indeed the case. However, there are also well-recognised problems in the distribution and advice market. Many consumers, particularly those in lower-income groups, may find it difficult to access advice. In addition, there is some risk that consumers believe that advisers may not always act in their best long-term interests when the economic incentives of commission-based business models could encourage a bias towards product sales.

Consequences

1.9 The multiple challenges inherent in financial services markets mean that people can often make ill-considered financial decisions, including failing to use financial services when they would benefit from doing so. FSA research found that people do not shop around for financial products, they are insensitive to price and can often end up buying the wrong thing; either failing to understand the financial risks they take or insuring for risks that they do not face.[4] Although some generalisations can be made – young people in particular tend to be less financially capable than older people, for example – socio-economic factors are not necessarily straightforward predictors of financial capability.

1.10 The Government recognises the challenge to consumers posed by financial services and has pursued a wide range of reforms that improve the working of financial markets, including establishing a new regulatory framework for the financial sector, introducing simplified, low-cost stakeholder investment products and promoting financial inclusion. While these "supply-side" reforms are essential, giving consumers the skill and assurance to engage with financial affairs is crucial to improving markets, reducing detriment and securing better financial outcomes in the long term.

[3] Financial Services Authority, *CP06/19 Reforming conduct of business regulation*, October 2006.

[4] FSA/Personal Finance Research Centre, University of Bristol, *Levels of Financial Capability in the UK: results of a baseline survey*, March 2006.

The Financial Services Authority

1.11 The 2000 Financial Services and Markets Act set up the Financial Services Authority as an independent regulator with consumer protection and consumer awareness objectives at the heart of its retail agenda. The FSA has developed a comprehensive information service for consumers, including product comparison tables, and has recently launched a "Moneymadeclear" website.[5] The FSA leads the National Strategy for Financial Capability, in partnership with the Government, industry and the voluntary sector. The FSA has developed a leading edge programme, developing targeted projects and resources that are intended to deliver a step change in support for financial capability.

1.12 The Government shares the FSA's vision of better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services.[6]

Benefits of financial capability

1.13 The benefits of achieving improvements in financial capability are many:

- for individuals, in the long term the Government would expect to see reducing levels of problem debt, the potential for increased savings and appropriate use of insurance products;
- at the margin, better financial capability could reduce welfare dependence;
- capability also underpins the skills needed for employment and supports the advance of an enterprise culture;
- active consumers drive competition, helping UK financial services firms to become more efficient, innovative and globally competitive; and
- in time, higher levels of financial capability could mean lower business acquisition costs for firms, greater persistency and less need for regulatory intervention.

International issues

1.14 The challenges of social and demographic change and the implications for consumers and financial services markets are not unique to the UK. Many countries – notably New Zealand, Australia and the USA – are developing strategies to raise levels of financial capability. The Organisation for Economic Co-operation and Development (OECD) has also researched best practice across its member countries,[7] and Russia made financial education a theme of its G8 presidency in 2006.

Government's approach

1.15 There is no quick fix – the inherent problems in financial services markets impact on different people in different ways and will continue to require the concerted efforts of the public and voluntary sectors and the industry itself. Increasing financial capability requires cultural change. This document sets out how the Government will develop its long-term plan for financial capability:

- Chapter 2 outlines the challenges for the consumer in engaging with financial services and making choices, and why financial capability is important to achieving a range of Government objectives;

[5] www.moneymadeclear.fsa.gov.uk

[6] FSA, *Building financial capability*, 2004.

[7] OECD, *Improving Financial Literacy: analysis of issues and policies*, 2005.

- Chapter 3 discusses current initiatives to improve and support financial capability;
- Chapter 4 highlights some of the long-term challenges and opportunities that frame the need for action and the Government's response to these; and
- Chapter 5 sets out some questions for consultation.

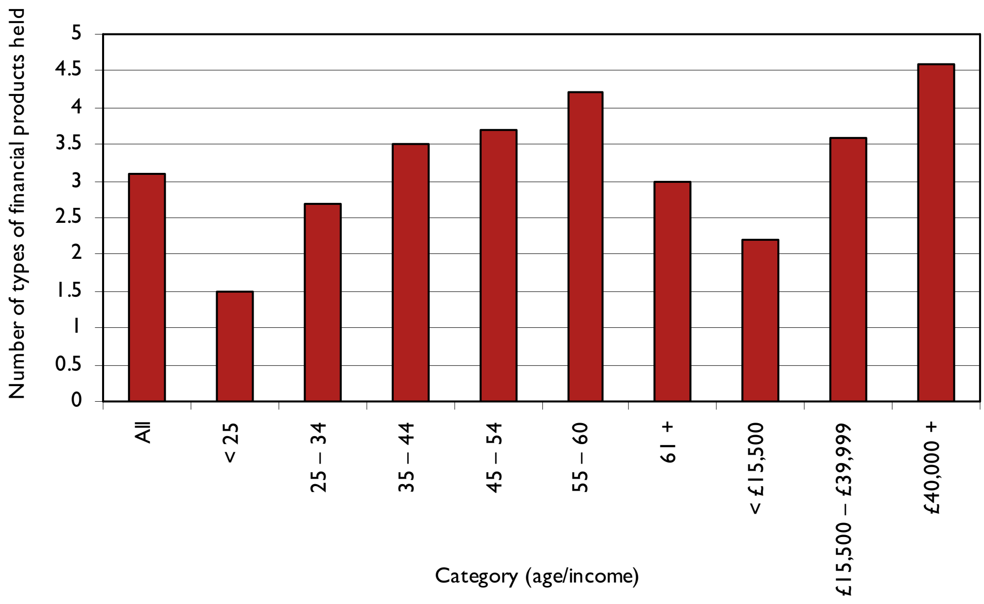
2 Capability and choice: financial services and the consumer

2.1 UK households are wealthier than ever before. Total household assets are worth over £7 trillion. Net wealth, adjusting for rising personal debt, has grown by around 65 per cent in real terms since 1997. There are 1.8 million more homeowners than in 1997. This increase in wealth has great benefits but also brings the challenge of using financial services: for transactions, managing savings and assets, and insuring against risks. With 97 per cent of benefit recipients now receiving their benefits into an account electronically, financial services are part of daily life for more consumers than ever before.[1]

Consumers and products

2.2 The average person spends approximately £32.70 a week on financial products, excluding debt repayments.[2] This is equivalent to 7 per cent of total expenditure.[3] About half of this is on contributions to pension and superannuation funds and life assurance premiums. UK households own, on average, just over three types of financial product.[4] Ownership of products increases with age and decreases once individuals reach retirement. Those on higher incomes are also more likely to own a greater number of products, although even those on lower incomes still have on average over two types of product.[5]

Chart 2.1: Number of types of financial products held per household



Source: Financial Services Consumer Panel: Survey of consumer attitudes to financial services and their experience in buying them, March 2006.

[1] Office for National Statistics (ONS), *Blue Book and UK Economic Accounts* and Department of Work and Pensions (DWP) *Departmental Report*, 2006.

[2] Includes medical insurance, life assurance, pensions, savings and investments.

[3] ONS, *Family Spending – A report on the Expenditure and Food Survey*, 2002–2005.

[4] Product types used were: cash savings products, investments, mortgages, life assurance, pensions and life assurance savings.

[5] Financial Services Consumer Panel, *How people buy. Consumer Panel Research Paper,* 2005. The different types of product included in the survey were: cash savings, investments, mortgages, life assurance, pensions and life assurance savings products.

2.3 Financial products are unique. They are a means to an end; allowing the consumer to pay for goods and services now or in the future, to defer consumption, to leverage asset purchase or to manage risks. However, the nature of financial products and financial decision-making is often complex. Many decisions require difficult calculations and judgements – how much income will I need when I retire and how can I make sure I will be able to get this much? Will I be able to afford my mortgage if interest rates go up, or if I am out of work for a period of time? Is fully comprehensive insurance for my car worthwhile? In most cases, there are no "right" answers to these questions, since personal preference is an important part of the equation.

2.4 These decisions involve assessing attitudes to risk and reward, the trade-off between consumption now and in the future, or the likelihood of suffering from adverse future events. On top of these factors, the consumer must also understand the particular features and terminology of financial products. Despite the inherent complexity, the UK's financial markets work well for the majority of consumers, for most of the time. Effective and comprehensive risk-based regulation works alongside strong voluntary codes and competition to ensure that most consumers are well served.

FINANCIAL SERVICES MARKETS AND THE CONSUMER

2.5 The UK has a large, sophisticated and successful financial services retail market. The financial services sector as a whole generates about 8.5 per cent of UK GDP, up from 5.5 per cent since 2001.[6]

2.6 It is widely accepted that the markets for retail financial products face a number of persistent challenges:[7]

- as financial innovation increases, products can meet a wider range of individual needs, but become more complicated and diverse. Choice is increasing;
- there are information asymmetries, in particular the price of products and services can be hard to obtain or interpret and wide use is made of jargon; and
- for many products, performance is difficult or impossible to ascertain in advance – the costs and benefits only become clear in the long term.

Choice and complexity

2.7 People are faced with a bewildering choice of products in the UK market – over 8,500 different mortgages (including buy-to-let products), 300 major credit cards, over 4,000 separate savings accounts[8] and over 2,000 different retail investment funds.[9] Within this vast array, products can be difficult to compare: mortgages or insurance products with similar headline prices or interest rates can have very different features, charges or terms and conditions and the comparisons can be further complicated by different tax treatments.

2.8 The "small print" challenge can cause particular problems with insurance products. The failure of a policy to pay out in circumstances when a consumer might have expected cover – for example, because they were unaware of all of the exclusions

[6] www.ifsl.org.uk/

[7] See, for example, *Medium and long term retail savings in the UK*, Sandler, 2002.

[8] www.moneysupermarket.com/moneydefault.asp

[9] Office of Fair Trading, *Review of the Impact of the Financial Services and Markets Act 2000 on Competition*, 2004.

in the policy – can have serious consequences. The Office of Fair Trading (OFT) is minded to refer Payment Protection Insurance (PPI) to the Competition Commission, after finding that these products were difficult to compare and, in some cases, consumers were given the impression that purchasing PPI would help a loan application. The FSA is pursuing a range of measures to improve sales practices of PPI for the benefit of consumers, including looking at whether new rules are required for PPI sales.

2.9 Difficulty in choosing suitable products also reflects the individual complexity of consumers' own needs. Individuals have different preferences and general attitudes to saving, risk or investment. The range of circumstances that people face is great and many of the factors to consider in making financial decisions may be unique to the individual at a particular time. The wide range of choice may reflect the wide range of needs, but still makes negotiating the market difficult without a clear assessment of individual circumstances and an understanding of how to address them.

Information asymmetries

2.10 Added to the problems of complexity, there are significant asymmetries of information in the market, with producers and advisers usually knowing far more about products than the end consumer. Confusing terminology, opaque pricing structures and lack of information about performance can exacerbate these problems.

2.11 The impact of information asymmetry is greater when "repeat purchases" are infrequent, as is the case with medium and long-term saving products. Where consumers are more likely to make repeat purchases or renewals (for example, general insurance and mortgages) building up product-specific experience and shopping around can help to overcome the initial mismatch in knowledge between consumers and producers.

Long-term judgements

2.12 For long-term savings and investment products, consumers have to trade off the risks and rewards of the purchasing decision in a context where outcomes are uncertain. There are many factors affecting the performance of a product, including market risk, product risk and inflation. Making these judgements is a complex task.

FINANCIAL INFORMATION AND ADVICE

2.13 In a product market that poses multiple challenges to the consumer, economic theory suggests that associated or secondary markets and services should help consumers negotiate the complexity and make markets more transparent. In the market for financial services, a wide variety of information and advice sources exist. Consumers have numerous sources to draw on in making decisions about financial products:

- product comparison tables: these enable consumers to compare products according to criteria which are important to them. Much of this information is available on the internet, including websites like moneysupermarket.com and the FSA's comparative tables, which allow consumers to compare prices and features across a wide range of financial products.[10] The personal finance pages of newspapers and consumer magazines such as *Which?* also publish comparative or "best buy" tables;

[10] www.moneysupermarket.com and www.fsa.gov.uk/tables

- mass media: articles in newpapers and magazines, radio and television programmes, and "self-help" books; and
- firms' promotional material, sent through the post or picked up in a local branch or from branch staff.

2.14 These can be useful sources of information, but some knowledge of financial issues is often required to interpret and act on the information – for example, a basic understanding of interest rates, and of the terms APR and AER. Comparative information sources can also be bewildering. Moneysupermarket.com, for example, has 22 different bases on which to compare credit cards, including by best balance transfer rates, interest free period, standard rate and even card design.[11]

Financial advice

2.15 The role of financial advice is to go beyond the provision of information; to consider individuals' circumstances and help them plan and manage their finances. Advice may or may not be product related. The commercial financial advice market both serves consumer needs and acts as a distribution channel for product providers. Non-commercial advice – mainly provided by the third sector – is also available, although currently this tends to be concentrated on "crisis intervention", often debt problems.

Regulated advice

2.16 The FSA regulates the sale of most types of investments, mortgages, general insurance and pure protection products. These products may be sold on an advised or non-advised basis. In June 2005, a set of regulatory reforms known as "depolarisation" was introduced for firms selling investment products. Before depolarisation, advisers had to either offer advice on products from the whole of the market or to be "tied" – i.e. offer advice only on products from one firm. Depolarisation was intended to increase competition and the provision of advice. Since depolarisation, financial advisers can be:

- tied agents selling products from a single provider;
- multi-tied agents selling products from a limited number of providers; or
- whole of market, selecting products from the whole market.

2.17 Advisers' coverage of the market may vary by product. For example, an adviser may be independent for mortgages (whole of market), offer investments from six firms (multi-tied) and insurance from only one provider (tied).

2.18 There are two principal types of financial advice regulated by the FSA:

- **full advice**: the adviser must recommend suitable products for the consumer having assessed their needs; and
- **basic advice:** simplified form of full advice which can only be used to sell a particular sub-set of financial products, known as "Stakeholder" products. These products have more specified design features than other products in the market, so the advice process required to sell them is less extensive.[12]

[11] www.moneysupermarket.com

[12] Stakeholder products may also be sold via full advice or execution only.

Issues in the financial advice market

2.19 Many commentators have highlighted problems in the way that the market for financial advice serves consumers.

Pricing structures

2.20 Although the market works well for many consumers, there have been long-standing concerns over commission-based sales. Some believe that commission can provide incentives for advisers to act in ways other than in the best interests of consumers, otherwise known as "commission bias". Consumer detriment could occur where the commission available on a less suitable product was higher or where a consumer would be better served by a recommendation that did not involve the purchase of a product. On the other hand, advisers who maintain long-term relationships with clients may find that their long-term interest in serving their clients' needs overrides any perverse short-term incentives.

2.21 The evidence for the existence of commission bias is mixed, but there is enough to give cause for concern. For example, the FSA's depolarisation review in 2002 concluded that commission bias was causing consumer detriment of £140 million per year.[13]

Quality

2.22 There are many firms serving their customers well, but mystery-shopping exercises have uncovered wide variations in the quality of advice given and degree of regulatory compliance. In one survey almost all the firms surveyed claimed to offer a full advice service, but only one-third actually undertook a full review of clients' needs and objectives. One-quarter of firms did not establish the customer's attitude to risk and, in two-thirds of cases, the explanation of risk was inadequate or unclear.[14] This puts consumers at a disadvantage as they have no impartial information on which to base a decision about how well an adviser will serve them.

Use of advice in buying products

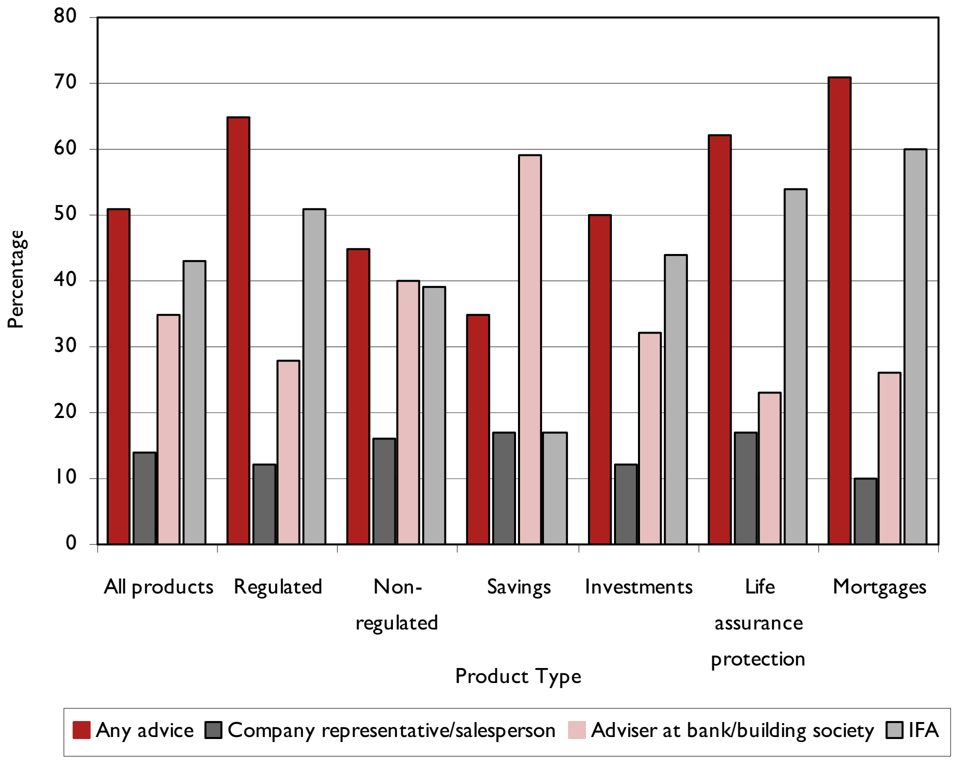
2.23 People make less use of the advice market than might be expected given the degree of complexity of some product markets (see Chart 2.2). Overall, about one-half of products are bought after taking some form of advice. For straightforward products, people tend to rely on friends and family, information picked up in a branch or "best buy" tables. However, more complex products are often also bought without advice: 29 per cent of mortgages, 38 per cent of life assurance products and 50 per cent of investment products.[15]

[13] www.fsa.gov.uk/pubs/cp/cp121.pdf

[14] FSA, *Quality of advice cluster report*, July 2006.

[15] Financial Services Consumer Panel, *How people buy*, July 2005 and *Survey of consumer attitudes to financial services and their experiences in buying them*, March 2006.

Chart 2.2: Advice sources



Source: Financial Services Consumer Panel: Survey of consumer attitudes to financial services and their experiences in buying them, March 2006.

Use of IFAs

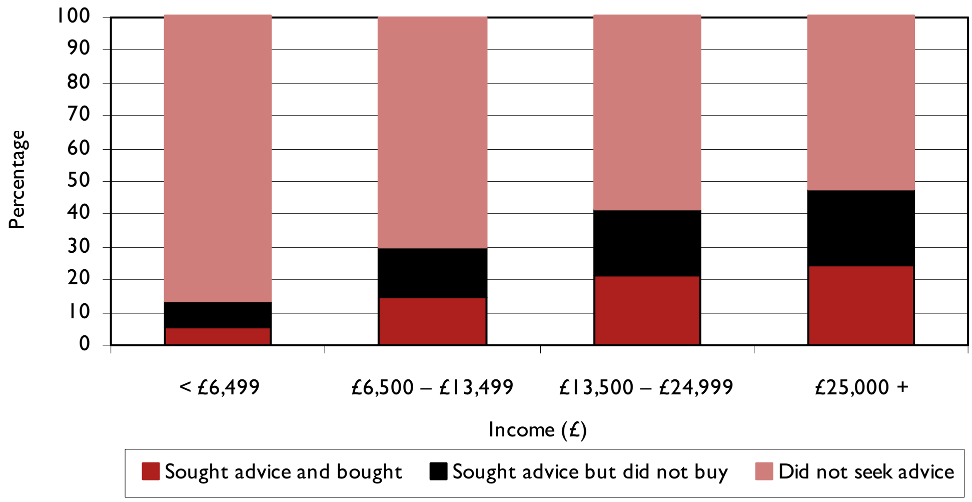
2.24 People on lower incomes are less likely to seek independent financial advice (Chart 2.3). Nearly half of all clients to independent financial advisers (IFA) are on incomes of below £30,000, however this group represents 87 per cent of the population (Table 2.1).

Table 2.1: Distribution of advice

Income	IFA customer base (percent)	Share of UK population (percent)
£70,000 +	17	1
£45,000 – £70,000	15	3
£30,000 – £45,000	22	9
£30,000 and below	46	87

Source: Treasury analysis and Labour Force Survey 2006.

Chart 2.3 Distribution of advice



Source: Financial Services Consumer Panel annual survey of consumers, 2000.

Advice and income

2.25 There is limited evidence as to why people on lower incomes do not use financial advice. It is not clear whether they do not seek it (a “demand-side” explanation) or because there is a lack of availability (a “supply-side” explanation). A decline in financial firms’ direct sales forces and reluctance among some consumers to pay for financial advice through fees may have contributed to the relative lack of access for those on lower incomes. It may be that advice is simply seen as unaffordable. It could also be argued that access to financial advice is inevitably skewed toward higher income groups who are more likely to make significant product purchases – advisers have significant commercial incentives to focus on higher-income groups.[16]

[16] Ron Sandler, *Medium and Long-term Retail Savings in the UK: a review*, July 2002.

Box 2.1: The Resolution Foundation

The Resolution Foundation is an independent research and policy organisation. It produced several pieces of research throughout 2006 exploring the question of access to financial advice for those on low to moderate incomes.

Its first major report examined the demographic and financial characteristics of those on low incomes (defined by the Foundation as those individuals and households on up to median incomes, receiving less than 20 per cent of their income in the form of benefits). In addition, this paper examined options for the provision of advice to this client group through generic financial advice.

The Resolution Foundation also quantified the potential savings that could be generated by improved financial decision-making. This work relied on making behavioural assumptions and modelling the probability of taking preventative action at different life stages in response to financial advice. Although firm causal relationships between advice and improved financial outcomes are difficult to establish, the research projected significant potential gains for individuals in terms of accumulated personal wealth over a lifetime, as well as increased pension provision, saving and associated benefits for both Government and the financial services industry.

The Resolution Foundation has also explored whether there is a commercial case for the provision of generic advice, although findings here suggest that there are limited prospects for the significant extension of generic financial advice on a purely commercial basis.[17]

Impact of problems in financial services markets

High search costs

2.26 The consequences of the inherent problems in financial services markets are complex and diverse. For some product markets – for example, short-term savings, some general insurance products and unsecured loans – consumers are generally clear what their needs are, but they may find it difficult to get information and compare products. This means high search costs, making consumers less likely to shop around or to switch providers. This inertia can cost money, as consumers do not take advantage of the best available prices or packages, and may also limit market competition.

Consumer detriment

2.27 In other markets – for example, long-term savings and investments, and insurance products – consumers may not know what they need, or even that they need a product at all. Purchasing these products is more difficult. It may involve choosing an intermediary, again with limited available information. There is also a higher likelihood that the product will not perform as expected, perhaps because the consumer did not understand the nature of the risk they were taking on, or what the "small print" in an insurance contract meant. When knowledge and understanding is limited, the potential for consumer detriment, both perceived and real, is greater.

Consumer disengagement

2.28 Product "failure" from the consumer's perspective can lead to loss of confidence in the industry: consumers become reluctant to engage, and it becomes more expensive to sell products. Evidence from the FSA's baseline survey and the findings of behavioural economics[18] suggest that a large number of consumers will defer financial decision-making rather than engaging in the process. This drives up acquisition costs for providers; these high sales costs in turn mean that intermediaries are incentivised to

[17] Resolution Foundation, *Closing the Advice Gap: Providing financial advice to people on low incomes,* May 2006. *A national dividend: the economic impact of financial advice,* September 2006. *Generic financial advice: evaluating commercial approaches*, December 2006.

[18] Institute for Public Policy Research (IPPR), *Rethinking financial capability, lessons from economic psychology and behavioural finance*, Mike Dixon 2006.

sell to higher income consumers, effectively limiting access to parts of the market for those on lower incomes.

Tackling the challenges: simplification and regulation

2.29 The Government has pursued a wide range of reforms to improve the working of financial services markets and build long-term consumer confidence. Most interventions in financial services markets have taken place on the supply side, including:

- regulating products to make them simpler and easier to understand;
- regulating information about products and services, either to increase market transparency, promote competition or to prevent the publication of misleading information;
- improving access to products and services through, for example, basic bank accounts; and
- improving consumer understanding.

Regulation

2.30 The Government set up the Financial Services Authority as an independent regulator, with consumer protection and awareness objectives, in the Financial Services and Markets Act (FSMA) 2000. FSMA also gave the Office of Fair Trading (OFT) a role in relation to competition in financial services markets and the Enterprise Act 2002 set out a duty on the OFT to provide consumer information and education, including in relation to consumer credit markets (regulated by the OFT). The Financial Ombudsman Service and the Financial Services Compensation Scheme allow consumers access to redress if things do go wrong.

FSA review of distribution

2.31 In June 2006 the FSA launched a review of the distribution of retail financial services (see Box 2.2). This review is investigating the structure of the financial advice market and related issues. Commenting on the review, FSA Chairman Callum McCarthy noted that the current distribution business model "is based on incentives which produce results which are unattractive to reputable providers, unattractive to their customers, and whose benefits to intermediaries are questionable".[19]

2.32 The Government welcomes this review. A more efficient distribution system that aligns the interests of firms and clients, and improves access to financial services, will help to promote consumer confidence and a willingness to engage with financial services. It is not the role of the Government or regulator to dictate business models, so the industry should lead on market solutions to the problems identified. However, should solutions emerge which warrant Government intervention, these will be given serious consideration.

[19] www.fsa.gov.uk/pages/Library/Communication/Speeches/2006/0916_cm.shtml

Box 2.2: FSA Distribution Review

The Retail Distribution Review[20] is examining a number of questions about the structure of the market, including:

- the sustainability of the distribution sector – is the current business model sustainable and do the current regulatory requirements achieve their aim of securing adequate resources for firms?
- the impact of incentives – is the real root cause of the problem with the current distribution model the impact that commission arrangements have on the sales process, or is it the lack of professionalism of some of those operating in this market?
- professionalism and reputation – how far do commission structures between provider and distributor influence the decision of the distributor: to what extent does commission lead to detriment?
- customer access to financial products and services – how can customer access to products and services be improved?
- regulatory barriers and enablers – does regulation of the retail market create barriers to greater market efficiency?

A number of working groups are taking these themes forward. The FSA will publish a discussion paper with the conclusions of the review in the second half of 2007.

Stakeholder products

2.33 Following the Sandler review[21] the Government set out proposals for simple low-cost savings and investment products, regulated by the Treasury, with a lighter-touch sales regime regulated by the FSA. Following consultation, a suite of four "Stakeholder" products went on sale in April 2005. Their principal characteristics are low charges, risk controls and no exit penalties. There are four product types:

- deposit account and mini-cash ISAs;
- medium-term investment plans and a smoothed product;
- stakeholder pensions; and
- the stakeholder Child Trust Fund.

2.34 The take up of these products has been positive. In 2005 just over one million Stakeholder products were sold, with 43 per cent of these being pensions. The first three-quarters of 2006 suggest that sales will be higher than the previous year. Since the second quarter of 2005, when the full suite of products was launched, premiums paid into Stakeholder products have been over £6.7 billion.[22] Since inception, 74 per cent of all Child Trust Funds opened have been stakeholder.[23]

Disclosure and promotions

2.35 As part of the supply-side response, the FSA enforces rules on financial promotion and disclosure. The FSA continues to analyse and improve the effectiveness of disclosure documents. It has also put in place a comprehensive principles-based

[20] Clive Briault, *Retail Distribution Review: scope, priorities and approach*, November 2006.

[21] Ron Sandler, *Medium and long-term retail savings in the UK, A review*, July 2002.

[22] The Association of British Insurers (ABI), *research and statistics - long term insurance statistics - new business* (www.abi.org.uk) 2005-06

[23] HMRC, September 2006.

programme to raise industry standards – from product design to sale (including the quality of advice) and after-sales service – through the "Treating Customers Fairly" initiative.

Financial inclusion

2.36 Working closely with industry, the Government has taken steps to improve access to financial products and services. *Promoting financial inclusion* outlined the Government's strategy, including the establishment of a Financial Inclusion Taskforce to oversee progress and a £120 million Financial Inclusion Fund to support initiatives in the three priority areas of access to banking, affordable credit and face-to-face money advice.[24] The 2006 Pre-Budget Report announced that the taskforce would continue its work for an extra year, to March 2008, and that the Government will report on next steps for financial inclusion early this year.

FINANCIAL CAPABILITY

2.37 However, supply-side reforms can only be part of the solution. Regulation may protect consumers from making some bad decisions, but it cannot empower them to make good ones. Transparency and disclosure may protect providers from future mis-selling claims, but they may not necessarily help the consumer to make good decisions unless they have the background knowledge to take disclosure on board and the motivation to do so. Interventions to increase competition will have limited success if consumers are reluctant to shop around, and are insensitive to price and quality when they do so.

2.38 The Government's "supply-side" strategy must be complemented with a "demand-side" focus. Simplification, competition, inclusion and regulatory initiatives will only be fully successful when consumers have the right skills and greater confidence to engage with the financial services market. It is vital for the Government to pursue an approach focused on giving people the expertise to engage with financial issues – to build financial capability.

Defining capability

2.39 Financial capability is a broad concept, encompassing people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market.

Benefits of financial capability

2.40 The benefits of capability are clear for consumers: better-informed financial decisions can save money, and planning ahead can avert crises (for example, uninsured losses or problem debt). There are also significant spin-off benefits, from a better understanding of tax, benefits and tax credits, to being able to shop around for the best mobile phone or utility deal. In this respect, financial capability is an important life skill.

2.41 More capable consumers will drive competition, resulting in stronger retail markets that better serve the needs of consumers and allocate capital more efficiently. Better competition in retail markets supports the Government's wider productivity agenda. As John Tiner, FSA Chief Executive, set out in his introduction to *Building financial capability in the UK*: "if people know what they want and how to get it, the market for financial services becomes less one-sided and a lot more efficient. Consumers will demand better, cheaper and more appropriate products and services".[25]

[24] HM Treasury, *Promoting financial inclusion*, December 2004.

2.42 The December 2006 pensions White Paper – *Personal accounts: a new way to save* – also highlights the link between better-informed consumers and greater competition in the pensions market – "if consumers are well informed, choice can help drive competition, innovation and quality of products and service. There are many desirable outcomes that can arise from having choice. Fund and annuity choice may give savers the ability to affect their final retirement income based on their risk preferences, consumer choice may create personal ownership and responsibility for retirement savings and choice of administrator or fund from a pre-selected list with a default option may give savers flexibility without complicating their decisions".[26]

2.43 As the December White Paper set out, the Government's pensions reform are designed to limit the number of decisions individuals will have to make, but financial capability is still essential if people are to understand the choices available to them and take greater personal responsibility for wider retirement planning.

2.44 The financial services industry will also benefit from more capable and competent consumers: consumers who understand products and services will be more confident about negotiating the market. In the long term this could mean lower costs to firms in acquiring new business and the potential for a "regulatory dividend" as consumers are better able to exercise market discipline and reduce the need for regulatory intervention.

Financial capability and Government interests

2.45 The importance of financial capability as a broad life skill means that it supports and enables a wide range of Government objectives and policies, from pensions provision to tackling over-indebtedness, encompassing childhood to retirement.

Every Child Matters

2.46 The Every Child Matters agenda recognises the importance of all children's services contributing to five broad outcomes, including "achieving social and economic well being".[27] Building financial capability will support economic well-being, by encouraging children and young-people to engage with money and build financial and enterprise skills; and through helping parents to manage their money better.

Enterprise culture

2.47 Enterprise education is defined as enterprise capability, supported by better financial capability and economic and business understanding. Successful entrepreneurs need financial capability to understand the impact of their behaviour on a business, whether their own or one in which they work. Without good financial capability in young people, enterprise education can only partially achieve its goals of cultivating a more vibrant enterprise culture in UK society.

2.48 The Government has acted to stimulate greater enterprise capability in young people:

- £180m in the 2004 Spending Review to deliver the equivalent of five days of enterprise education to all students at key stage 4;
- £2m announced in the 2005 Pre-Budget Report to pilot enterprise summer schools in 2006;
- establishment of the National Council on Graduate Entrepreneurship; and

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[25] Financial Services Authority, *Building financial capability in the UK*, 2004.

[26] Department for Work and Pensions, *Personal accounts: a new way to save Regulatory Impact Assessment*, December 2006.

[27] The Children Act 2004.

- creation of Enterprise Insight to promote an enterprise culture.

2.49 The Government is committed to building a stronger enterprise culture in the UK and is working to promote greater enterprise capability among young people in education. To support meaningful business engagement with teaching and learning, the Government announced in the 2006 Pre-Budget Report that it would, in partnership with the British Chambers of Commerce, create 50 Young Chambers of commerce. Young Chambers provide a framework that brings together local Chambers of Commerce, business, schools and pupils, to develop and take forward enterprise initiatives within individual schools. They will facilitate active business leadership and participation from local small and medium enterprises (SMEs) in enterprise education for pupils aged 14–19.

Financial Inclusion

2.50 While those without access to mainstream financial services are often very good at managing their day-to-day finances on a tight cash budget, lack of understanding (or mistaken perceptions) about the costs and benefits of using financial services can result in them excluding themselves from financial services.

2.51 The Government has three priority areas for tackling financial exclusion: access to banking, access to affordable credit and access to face-to-face money advice. The Government also recognises the importance of ensuring that people understand the potential benefits of financial services and are given appropriate support in accessing them. Therefore, the Government is implementing a campaign that will work with trusted intermediaries in day-to-day contact with the financially excluded to achieve an increase in the awareness and take-up of mainstream financial services products across Great Britain. The Government is currently considering recommendations from the Treasury Select Committee's reports on financial inclusion and will respond in due course.

Savings

2.52 The Government seeks to support saving and asset ownership for all through the life cycle, from childhood through working life and into retirement. To encourage saving among people that do not normally save and to promote this groups' engagement with mainstream financial services, the Government is currently piloting the Saving Gateway. The final evaluation of the second pilot is due to be published in spring 2007.

Tackling debt

2.53 Most consumers manage their credit successfully, but over-indebtedness is a problem for a significant minority of consumers.[28] The Government has a broad strategy to tackle the problem of consumers who take on unmanageable debt. Its objectives are to minimise the number of consumers who become over-indebted and also to improve support for those who have fallen into debt.

2.54 The latest annual report on over-indebtedness sets out the measures that the Government is taking to address over-indebtedness and ensure responsible lending and borrowing.[29] These include improving access to debt advice, making advertising and consumer credit agreements more transparent, as well as provisions in the Consumer Credit Act 2006, which sets a tougher fitness test for credit licences and makes it easier for consumers to challenge unfair credit agreements.

[28] Financial Services Authority, Personal Finance Research Centre: University of Bristol, *Levels of Financial Capability in the UK: Results of a baseline survey*, March 2006.

[29] Department of Trade and Industry, *Tackling over-indebtedness: annual report*, 2006.

3 Improving capability – progress to date

3.1 In recent years significant progress has been made in understanding the nature of financial capability, and in taking forward initiatives to increase capability in the UK. This chapter sets out the latest evidence and how the Government, the Financial Services Authority (FSA), industry and the voluntary sector channels are currently used to deliver financial capability throughout an individual's life cycle – from schools to retirement – through education, information and advice.

ASSESSING THE EVIDENCE: THE FSA BASELINE SURVEY

3.2 To establish a baseline for measuring changes in financial capability, the FSA commissioned a large-scale survey to determine how well people: make ends meet, keep track of their finances, plan ahead, choose financial products and stay informed about financial matters.[1]

- **Managing money:** the survey found that most people were reasonably good at managing their money – making ends meet and keeping track of their finances, although a significant minority struggled to keep up with commitments. People who rent accommodation, the unemployed, unbanked and lone parents were in general the least able to make ends meet. However, all of these groups performed better than average at keeping track of their finances.

- **Planning ahead:** most people surveyed were poor at planning ahead and anticipating their future needs. For example, 81 per cent thought that a state pension would not provide them with the standard of living they hoped for in retirement, yet 37 per cent of this group had made no additional pension provision. 70 per cent of people had made no provision for an unexpected drop in income. The least capable forward planners were young adults; the ability to plan ahead improved sharply after age 30, coinciding with the age at which many people take on greater financial responsibilities, for example those associated with parenthood, or buying a home.

- **Choosing products**: the survey showed that many people did not take adequate steps to choose products that meet their needs. They failed to shop around for the best deal and took on risks without realising that they were doing so, or bought insurance to cover risks they did not face. Only 21 per cent of the sample conducted an active search for a best buy. Only 37 per cent of savings account holders and half of credit card holders bought on the basis of the interest rate offered. There is also evidence that people do not understand risk or product detail.[2] The under 30s performed well below average at choosing products, even allowing for the fact that people get better with experience. Those in rented accommodation, particularly in social housing, were also poor at choosing products, as were older people.

[1] Financial Services Authority, Personal Finance Research Centre: University of Bristol, *Levels of Financial Capability in the UK: results of a baseline survey*, March 2006.

[2] 40 per cent of people who own an equity ISA are not aware that its value fluctuates with stock market performance. The survey also found that 9 per cent of people in rented accommodation held buildings insurance.

3.3 The FSA concluded that unless steps are taken to improve levels of financial capability, the UK population would face further challenges in the future. The baseline survey findings were in line with other evidence, for example the first report of the Pensions Commission.[3] This highlighted the tendency for people to procrastinate when faced with long-term financial decisions, putting off important actions such as setting up a pension.

3.4 Further evidence is provided by recent analysis of a sample of low to middle income consumers. This found levels of financial capability, employment rates, home ownership and educational attainment all broadly matched those of the population as a whole. However, this group made significantly less provision for financial eventualities, in particular the purchase of long-term mitigation products.[4]

FINANCIAL CAPABILITY: PROGRESS IN THE UK

The FSA's National Strategy

3.5 In March 2006 the FSA published *Financial Capability in the UK: Delivering Change,* setting out its programme of projects to deliver a step change in levels of financial capability across the UK, responding to the challenges identified in the baseline survey.

Other financial capability initiatives

3.6 An informal survey of 60 financial capability initiatives, conducted for the preparation of this document, suggests that there is an abundance of work in this area being undertaken by the financial services industry, usually funded through Corporate Social Responsibility budgets, and the third sector. Projects range from generic information to resources for schools. Target audiences span ages, incomes and life-cycle points. The most common target group is school children, especially those aged 14–16, and young people (16–24). The survey revealed that although there is much good practice, often it takes a piecemeal approach and programmes tend to be short term. The amounts of funding are small, especially when compared with, for example, the £170 million spent on advertising by the financial services industry in the second quarter of 2006.[5]

3.7 The following sections describe progress in delivering financial education, information and advice across the life cycle, including individual FSA projects, and drawing on examples of industry and third sector initiatives.

Schools: evidence, delivery and support

3.8 Evidence from the USA suggests that financial education in schools can have a lasting impact. About half of all USA states have mandated financial education in schools since 1957. Adults who grew up in these states had significantly better financial outcomes by age 35 to 49 than those who were not exposed to financial education in school. They were better off by about a year's salary and tended to save a higher proportion of their income.[6]

Benchmark Survey

3.9 In autumn 2005 the FSA commissioned the National Centre for Social Research to survey the provision of financial education in UK schools. The main findings include:

[3] Pensions Commission, *Pensions: Challenges and Choices, the first report of the Pensions Commission*, 2004

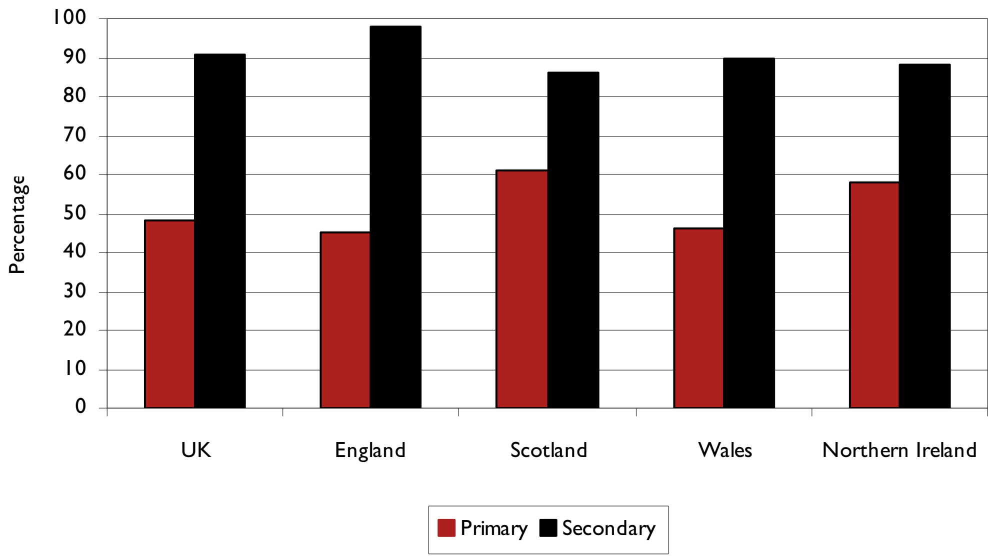
[4] Resolution Foundation, *Closing the Advice Gap*, May 2006.

[5] WARC, *Quarterly Survey of Advertising Expenditure 2006*, quarter 2 2006.

[6] Institute of Public Policy Research (IPPR), *Re-thinking financial capability: lessons from economic psychology and behavioural finance*, 2006.

- although 48 per cent of primary and 91 per cent of secondary schools delivered some form of personal financial education, this was often sporadic, typically in lessons only once or twice a term (see Chart 3.1). Only one-quarter of schools delivering personal finance education monitored its impact;
- 53 per cent of secondary and 34 per cent of primary schools considered it very or fairly high priority to teach personal finance education. The main reason given for not teaching it was lack of time in the curriculum;

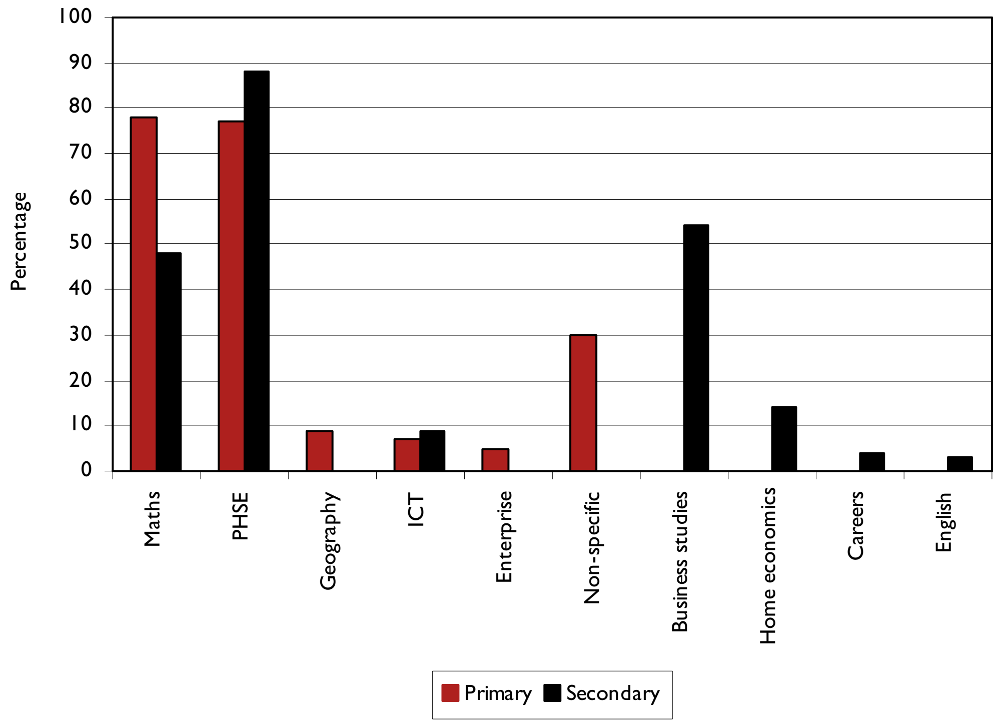
Chart 3.1: Schools delivering personal finance education



Source: Personal finance education in schools: a UK benchmark study, FSA, June 2006.

- personal finance education was most commonly taught in mathematics and personal social and health education (PSHE) lessons in primary schools (see Chart 3.2). Some secondary schools included it in optional subjects at key stage 4, for example, around half of secondary schools covered the subject within business studies;

Chart 3.2: Range of subjects used to deliver personal finance education



Source: Personal finance education in schools: a UK benchmark study, FSA, June 2006.

- the proportion of children receiving personal finance education in primary schools increased as they got older: to up to two-thirds by age 11. The same trend was found in secondary schools, with the proportion rising to three-quarters by age 16. Fewer children received any form of personal finance education at key stage 3 than at key stage 2; and
- 47 per cent of primary and 68 per cent of secondary schools said that they wanted more support in teaching personal finance education, in the form of materials, more advice from Government and training.

3.10 The position of personal finance education in the curriculum and plans for the future, differ between countries in the UK. This is summarised in the table below.

Table 3.1: Personal finance in the curriculum

	Who provides?	Place in curriculum	Current initiatives / future plans
England	Department for Education and Skills	Non-statutory framework for personal, social and health education (PSHE) at key stages (KS) 1 to 4 and statutory citizenship education at KS 3 and 4.	KS 3 and 4 curriculum being reviewed by Qualifications and Curriculum Authority (QCA), which aims to strengthen financial capability within PSHE. 2005 Pre-Budget Report announced introduction of functional mathematics at GCSE from 2010. QCA developing functional standards to inform how it is taught and assessed.
Scotland	Scottish Executive, Scottish Centre for Financial Education (SCFE) – part of the executive's advisory board (Learning and Teaching Scotland)	Non-statutory (crosscutting) in range of subjects (e.g. mathematics, education for personal and social development, and environmental studies).	Reviewing curriculum in light of commitment to embed numeracy across the curriculum. Learning outcomes available for consultation in summer 2007.
Wales	Welsh Assembly Government	Currently reviewing secondary school curriculum. Financial education likely to be placed in Personal and Social Education (PSE) (compulsory for ages 7–19) and possibly mathematics. Changes to be delivered from September 2008.	Intends to set up centre for financial education (emulating Scottish model). Developed DVD called "Dealing with debt" aimed at young people aged 11–25. Intending to roll out throughout Wales.
Northern Ireland	Northern Ireland Council for Curriculum, Examinations and Assessment (CCEA) – non-departmental public body reporting to Department of Education	Mathematics and numeracy (KS 1,2 and 3) also through home economics and economic awareness at KS 3. At KS 4 in learning for life and work. Aspects covered within GCSE specifications (mathematics, economics, home economics and a new pilot GCSE in financial services).	CCEA currently working on support materials for revised curriculum, including specific guidance for financial capability at KS 3. (Effective on phased basis from 2007.)

Source: DfES, Scottish Executive, Welsh Assembly, DETI Northern Ireland.

Support for teaching

3.11 The FSA's National Strategy for Financial Capability includes the "Learning Money Matters" programme, a five-year initiative run in partnership with the independent charity Personal Finance Education Group (pfeg). Learning Money Matters supports teachers by offering lesson plans, class materials, tools and training on including personal finance in subjects such as mathematics, citizenship, PSHE, enterprise and business studies. The programme is intended to help teachers feel more confident about teaching personal finance.

3.12 The objective is to reach 1.8 million children in 4,000 secondary schools, giving them an insight into their likely financial needs as they move into adult life. The FSA is working with the devolved administrations to explore the best way of taking the work forward in Scotland, Wales and Northern Ireland.

Box 3.2: Personal Finance Education Group (pfeg)

pfeg is an educational charity whose mission is "for all young people to leave school with the confidence, skills and knowledge they need in financial matters so that they can participate fully in society". pfeg receives financial support from the FSA, educational institutions, business and Government. It works with schools across the UK. pfeg offers a Quality Mark for recommended financial capability teaching resources, which is supported by government curriculum bodies. The quality assurance mark assures teachers that resources are effective classroom materials and that they are accurate, up to date, and appropriate for teaching personal finance education.

The Red Box

3.13 Her Majesty's Treasury and Her Majesty's Revenue & Customs launched "The Red Box" in 2002. The Red Box is a resource for students (aged 7–16) and teachers aimed at teaching a better understanding of tax and public spending. This makes the subject accessible to young people by presenting challenging and fun materials. It is supported by an interactive website: www.redbox.gov.uk. Between 2002 and 2005 nearly 6,000 (first edition) Red Box teaching packs were distributed, and in 2005 almost 1,500 second edition and 5,500 updated booklets were distributed. This represents 84 per cent take up in secondary schools. 84 per cent of teachers who have used "The Red Box" say that it has increased their confidence in teaching tax and public spending.

Box 3.3: Examples of financial services industry support for schools

HSBC launched its school banking programme in 1980 to help children from an early age understand the importance of looking after their finances. Sandon High School, Stoke on Trent, a business and enterprise college, has one of 650 HSBC "schoolbranches" operating across the UK. The schoolbranch is open for an hour every week, when an HSBC branch member visits the school and oversees the branch's operations. Schoolbranch tellers are recruited from the students and trained in taking and recording deposits and withdrawals for fellow pupils' accounts. The scheme not only helps young people to understand the basics of good financial management, it also provides students with work experience.

The Royal Bank of Scotland's "Face2Face with Finance" programme, which has been running across Britain since 1994, works in conjunction with teachers to provide them with stimulating, easy-to-use activities to help deliver financial capability teaching across the national curriculum. The programme has reached 750,000 11–18-year-olds in over 1,000 secondary schools with the help of 500 members of staff. The Face2Face website also gives practical information and advice to help people understand and manage their money.

HBOS is currently supporting two initiatives in Bristol. The first is a personal finance for schools project with ABLAZE (A Business Learning Action Zone in Education) and the Bristol Education Authority. As well as funding this work, HBOS employees have volunteered to share skills and expertise with the young people involved in the project. The second initiative involves providing funding to help set up and run fun maths clubs to help students from five Bristol secondary schools.

The Children's Mutual has produced a booklet of games, which carries the pfeg Quality Mark, to help children (aged 4–8) understand the value of money. The booklet is supplied to teachers free of charge.

Prudential has worked with the Specialist Schools and Academies Trust (SSAT) to develop "Adding up to a Lifetime", an interactive tool which teaches financial education to 13–16 year-olds. The resource, which carries the pfeg Quality Mark, has been sent free of charge to 3,200 secondary schools in England. Prudential and SSAT are currently adapting the module to the new Northern Irish and Scottish curricula, and these new resources will be available in mid-2007.

Young people

Youth Matters

3.14 The Youth Matters Green Paper proposed the development of quality standards for information, advice and guidance (IAG) aimed at young people aged 11–19. Draft standards were published for consultation in December 2006.[7] The standards specify that young people should be provided with information on the financial help available to access and complete their learning, and on any benefits they may be entitled to, such as Educational Maintenance Allowance.

Student finance

3.15 Going on to higher education is also an opportunity for young people to develop their financial skills and understanding, in a real life context. Schools and others supporting young people have a key role in helping them to understand the financial implications and benefits of continuing education, and the student finance options on offer.

[7] Department for Education and Skills, *Quality Standards for Young People's Information, Advice and Guidance (IAG)*, March 2006.

3.16 The Government provides information and guidance to students on the higher education finance package and on the wider costs and benefits of higher education. Specific teacher and tutor packs branded "Aimhigher" are available for use in the classroom and in addition, adviser packs, parent packs and material specifically for students are also widely available. The Government is aiming to improve personalised quotations as part of the new student finance system, to be launched in September 2008 for students commencing their studies from 2009–10.

FSA initiatives

3.17 The FSA funds a number of organisations which work with young people under its "Helping Young Adults Make Sense of Money" programme. The target groups are the 2.3 million students in the higher education sector and 1.1 million NEET (not in employment, education or training) young people. The projects include:

- Citizens Advice Frontline Training – a suite of four two-hour training sessions for front-line practitioners working directly with young adults;
- "On your own 2 Feet" – a toolkit developed by Fairbridge West, engaging young people through group work and demonstrating how to embed money management and financial skills into existing practical courses; and
- Roehampton University's pastoral support toolkit ("Money Doctors") which provides seminars, themed social events and one-to-one personal finance surgeries.

3.18 Nineteen "early adopter" universities are adapting and using the Money Doctors toolkit, which was successfully piloted in 2005–06. During 2007 the FSA will develop the Money Doctors toolkit for use in further education (FE) colleges and will work with partner organisations on the best way to embed personal finance education within existing programmes and courses offered by FE colleges.

Box 3.4: Financial services industry and third sector support for increasing financial capability among young people

HSBC has developed a website with Uniaid, a student charity, devoted to helping university students understand how to budget and keep track of their finances (www.allaboutu.org.uk/).

HBOS supports the Weston Spirit Financial Literacy Project. Weston Spirit run short courses for young people who are referred to them by social services, youth clubs, schools and the probation service. The membership programme helps young people take control of their lives, encouraging them to "be the best they can be". The programme lasts six months, during which they gain access to educational training, employment opportunities and group discussion, along with information and advice.

Young Scot is a charity aimed at helping people aged 12–26 make informed decisions and choices. Young Scot has also delivered sessions on the money and financial capability to a variety of young people and youth groups, including NEET and hard-to-reach. Since 2005 Young Scot has been working in close partnership with the Scottish Executive and the FSA to deliver specific information services related to financial capability. Since November 2005 there have been over 43,000 viewings on the new Young Scot "InfoLine" website[8] with 18,000 hits on money-specific web pages. Over 900 money-related leaflets have been downloaded from the website, the most popular being *Budgeting & Money Management*. Over 160,000 young people have received the Young Scot books – *Megabyte and Gigabyte* – which include chapters and information on money management.

Kikass, a youth charity, runs the "Thrifty Squid Challenge". This annual challenge involves groups of financially excluded young people designing novel responses to the financial issues that face them and their communities. It allows them to gain new skills, confidence and financial education. Through the sponsorship of Barclays Bank the winning team puts their idea into practice within their local community. The 2006 winners suggested peer mentoring in a drop-in centre for people when they are opening bank accounts, sorting out debts and accessing funds for college.

Adult education

3.19 There are currently few personal finance courses available for adult learners, although financial skills are sometimes taught as part of other subjects such as business studies.

3.20 The Basic Skills Agency (BSA) is developing the use of financial literacy as a way of teaching literacy, language and numeracy. Their work is aimed at those aged 16 or over who do not have English or mathematics qualifications at Level 2 (GCSE equivalent) as well as individuals who have difficulty with reading, writing or numbers in their everyday lives.

3.21 The BSA has developed a financial capability framework, outlining the skills and competence needed for financial capability. This is aimed at advisers, teachers and trainers. The BSA's dedicated financial literacy website – www.money-bsa.org.uk – also contains a number of resources to support the teaching of personal finance. All BSA materials are mapped to the adult curriculum for literacy, language or numeracy.

[8] www.youngscot.org/infoline

3.22 The BSA is also funding six projects delivering financial education in a range of situations with hard to reach adults, including lone parents, refugees and asylum seekers and prisoners in Liverpool.

3.23 The National Institute of Adult Continuing Education (NIACE) is a non-governmental body championing the interests of adult learners through policy advisory work, research and learning development. NIACE's work on financial learning has included developing two websites.[9] NIACE is also developing a Level 2 qualification in personal finance for adults, in conjunction with the Institute of Financial Services (IFS) School of Learning.

Families

3.24 The Child Trust Fund has been successful in engaging parents in saving for their children's futures. Over 2.5 million Child Trust Fund accounts are now open and around three–quarters of parents are using their child's voucher to open an account. The Government is building on this success with a Child Trust Fund Week (15–19 January 2007) to further raise awareness and participation among parents and families.

3.25 For new parents the FSA is developing and testing a guide to money information pack for prospective parents ("Parent's Guide to Money"), which will serve as a single, comprehensive and accessible information source on subjects including maternity rights, savings initiatives, the Child Trust Fund and tax credits. Approximately 1,500 "Parent's Guide to Money" packs are being tested between November 2006 and March 2007 through pilot employers.

Sure Start Children's Centres

3.26 Sure Start Children's Centres have a key role in helping to increase parents' employability as well as bringing services together for young children and their families. Essential skills such as literacy and numeracy are vital to parents gaining confidence and securing employment. The revised Sure Start Children's Centres Practice Guidance[10] highlights that financial capability is vital to enable people to participate in society and to manage their finances effectively. It advises that children's centres should consider providing financial education to parents as part of their range of support services.

3.27 The "Step in to Learning" training and development programme, part of Skills for Life, trains early years practitioners to identify parents and carers with literacy, language or numeracy needs and then to encourage them to take up a local learning opportunity. Sure Start family finance projects offer financial advice on topics related to budgeting, banking, salaries, spending, saving and borrowing, raising students' own awareness and understanding of financial literacy while using the topic as a vehicle for reinforcing basic skills.

[9] A forum and professional resource for all financial learning practitioners and a comprehensive and innovative financial education resource for learners.

[10] Published on 30 November 2006.

Box 3.6: Family learning and Sure Start Children's Centres

Newcastle City Council has designed a series of introductory family finance courses. These are delivered in Sure Start Children's Centres across the city for parents of children up to key stage 2 as part of Family Learning. The aim is to embed Skills for Life in a financial education context, and parents can gain national accreditation in literacy and numeracy through family finance.

During the courses, parents learn about budgeting, savings and investments (including the concept of risk, Child Trust Fund, debt ,and buying goods and services) and rights and responsibilities. Parents also have the opportunity to discuss money and families and some of the pressures they are under. For example, parents often said they went without so that their children could have designer label clothing, which they felt was necessary to prevent bullying. Many parents also felt under pressure from financial institutions to borrow money, or from utilities or telecommunications suppliers offering switching deals, often on the doorstep. Parents are finding the courses valuable, particularly in helping them to teach their children about money.

The Pennies and Pounds project, a financial literacy service run by the Vale Royal Citizens Advice Bureau, is one of the services funded by Sure Start Winsford, Cheshire. The project supports people who have questions about any aspect of managing their money. It is a preventative service, helping clients improve their ability to make informed judgements and take effective decisions regarding the use and management of money.

Advice and information available across all life stages

Advice providers

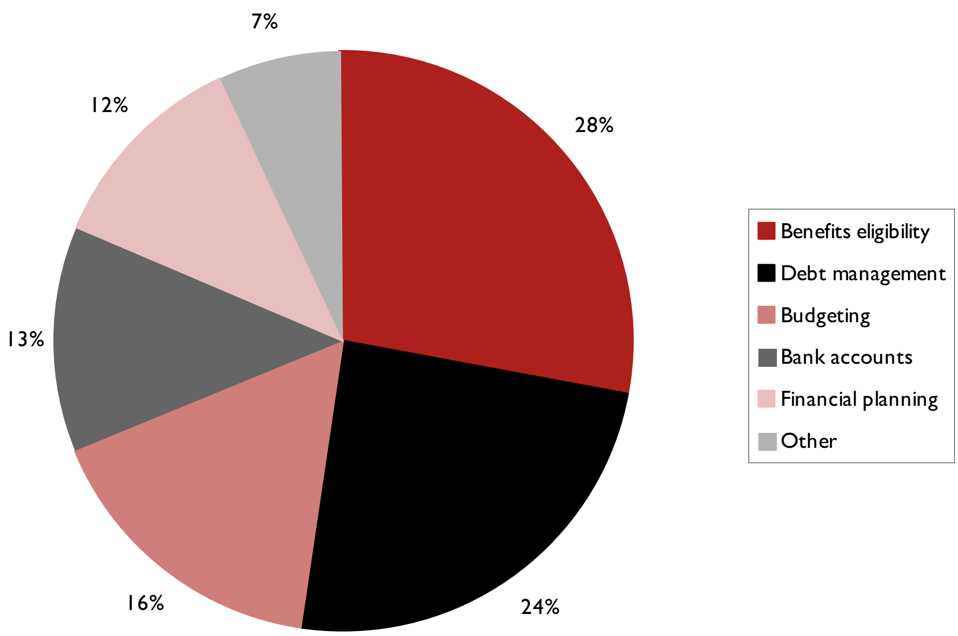
3.28 Many organisations provide information and advice. This may be organised around a specific subject – such as debt advice – or may be more general advice delivered through a particular channel or organisation, for example, Direct.gov or Consumer Direct. This section reviews the range of advice and information services that may include elements of personal finance or signpost into sources of financial advice.

Local Authorities

3.29 A little under half of Local Authorities (LAs) provide personal finance advice, although this may be of limited scope. Where provided, most coverage is on debt or benefits advice (see Chart 3.3). Only 12 per cent of advice relates to financial planning. Often local authorities contract out the provision of advice to local organisations and charities.[11]

[11] Department for Work and Pensions, *Local Authority Omnibus survey*, January 2006.

Chart 3.3: Different categories of advice provided through Local Authorities



Source: Department for Work and Pensions, Local Authority Omnibus survey, January 2006.

Debt advice

3.30 The Government has committed £45 million from the Financial Inclusion Fund to achieve a step change in the supply of face-to-face advice to help individuals with problem debt. By the end of 2006, 350 new full-time equivalent advisers had been put in place and more than 8,000 clients advised. An additional £2.5 million, committed in the 2006 Pre-Budget Report, will take the number of advisers to over 500.

3.31 In addition, the Government has awarded £6 million to organisations across England and Wales to pilot debt advice outreach. Early evaluation is positive, suggesting that outreach can be an effective way of delivering debt advice to harder-to-reach groups of financially excluded people.

3.32 In order to understand better the provision of face-to-face debt advice, the Financial Inclusion Taskforce has commissioned a census of the sector, which will provide the Government and other stakeholders with a clearer picture of the current debt advice baseline.

National Debtline

3.33 National Debtline is a telephone helpline for people with debt problems, covering Great Britain. It offers free, confidential and independent advice. Advice is also available via email and callers can request a self-help information pack free of charge. National Debtline currently responds to around 100,000 people each year and it expects this to grow to 230,000 by the end of 2009. National Debtline is funded by over 70 organisations, predominately financial institutions, through the Money Advice Trust.

The Consumer Credit Counselling Service

3.34 The Consumer Credit Counselling Service (CCCS) is a registered charity, funded and supported by the credit industry, whose purpose is to assist people who are in financial difficulty by providing free, independent, impartial and realistic advice. CCCS's package of services consists of a free national telephone service, ten regional centres and an online "debt remedy" tool. In 2005 CCCS received over 600,000 phone calls and 520,000 people came for counselling sessions.

Citizens Advice Bureaux

3.35 The Citizens Advice service is currently the largest provider of free advice on debt problems in the UK. Last year the service helped people with almost 1.5 million debt problems. Advice was provided from nearly 3,400 locations across England, Wales and Northern Ireland.

Box 3.7: Citizens Advice Bureaux – developing a more preventative approach

Citizens Advice Bureaux are aiming to help people improve their financial capability as a way of preventing debt problems in future. Through the Financial Skills for Life programme around 80 bureaux are now providing financial capability services at a local level. Citizens Advice intends that by 2010 all bureaux in England and Wales will be able to offer a financial capability service in their communities, especially to those facing financial and social exclusion.

Citizens Advice has also been exploring how it could extend its services to include free generic financial advice. It ran a small-scale pilot project in partnership with Barclays, the Personal Finance Society and Tudor Trust. Independent financial advisers (IFAs) gave pro bono advice to clients of eight bureaux over an eight-month period in 2005. Three different models tested whether such partnerships could improve access to generic financial advice for those on low to middle incomes. An evaluation of the enquiries handled was positive and Citizens Advice now plans a second, larger scale project, extending to 25 bureaux in 2007.

Wider advice sources

Advice UK

3.36 Advice UK is the largest support network for free, independent advice centres in the UK. It has just under 1,000 organisations. These range from small volunteer organisations through to large advice organisations. The member organisations can offer either generalist or specialist advice services.

Related advice networks

3.37 Advice services covering aspects of financial planning or financial issues, many of which secure public funding, include:

- the Pensions Advisory Service (TPAS): an independent organisation providing free information, advice and guidance, primarily by telephone, on a range of pension issues, including state, company, personal and stakeholder schemes;

- Consumer Direct: a UK telephone and online advice service helping consumers deal with complaints. Some consumers with specific queries are referred to organisations better designed to help, for example the Financial Ombudsman Service. In 2006 the helpline received over one million calls. Around one in ten of Consumer Direct's calls relate to financial issues; and

- the Legal Services Commission (LSC) provides information, advice and legal representation in England and Wales. They work in partnership with solicitors and not-for-profit organisations to provide services to help legal aid clients. LSC works with around two million people each year, who are often socially excluded.

Box 3.5: Impact of financial advice

AXA is nearing the end of a year-long experiment in a "virtual" street in Brighton. The residents of AXA Avenue come from all walks of life. Half have had advice from an IFA and the other half have not. The initiative is looking at the impact on participants' financial plans and on their well-being generally. The analysis to date is showing significant differences between the groups on both counts.

Information

Web-based information

3.38 There is plenty of freely available information on the internet, both generic and product-based. The FSA provides impartial general information on financial products and services. The FSA has a target to double the traffic to its websites over the next three years, taking annual site visits from two million to four million. A new FSA consumer website – Moneymadeclear.fsa.gov.uk – was launched in December 2006.

3.39 The FSA also publishes comparative tables, to help consumers choose products, and "self-diagnostic" tests. The "Financial Healthcheck" helps consumers to understand their financial needs. The "Debt Test" allows consumers to assess how likely they are to become over-indebted in the near future. It also provides tips on how to avoid debt problems, and helps people tackle these problems if they have already arisen. By the end of November 2006 the financial healthcheck had been used by over 800,000 consumers and the debt test by over 600,000.

3.40 The Government website Direct.gov also provides information on money matters, and it links into the FSA's website. There is also a range of sites from commercial (both branded and unbranded) and third sector organisations. These include best-buy tables, generic "top tips", case studies (often interactive) and tools, for example for calculating debt repayments, and budgeting and savings calculators.

Information in the workplace

3.41 Another project in the FSA's delivering change programme is the workplace seminar series – "Make the Most of your Money". Since the launch of the programme in the summer of 2006, the FSA has provided education materials to over 60 employers, reaching over 125,000 employees. In addition, seminars have been delivered to over 3,800 staff. Discussions are now taking place with another 100 employers with a view to providing educational materials and seminars for their employees. Over the next five years the programme aims to reach four million employees and around 500,000 will attend a seminar.

Planning for retirement

3.42 In preparing for retirement, individuals face challenges in understanding their likely financial requirements and their options for achieving these. In recognition of this, and as part of its response to concerns that many are not making adequate provision for retirement, the Government has been pursuing a retirement-focused information programme. This is aimed at ensuring that individuals:

- have the skills, support and access to the personalised information needed to understand their choices about working and saving to achieve their desired retirement income; and
- have appropriate awareness of the extent of their pensions entitlements to be satisfied they understand the consequences of their decisions.

3.43 Individual pensions forecasts are an important part of the programme. The Government provides forecasts, which include tailored information on individuals' projected entitlements to a State Pension in retirement.[12] It also facilitates provision of forecasts by participating employers and pension providers, setting out individuals' projected entitlements to both State and private pensions. The Department for Work and Pensions (DWP) has a Public Service Agreement (PSA) target to ensure that "by 2007–08 15.4 million individuals are regularly issued a pension forecast". Between April 2005 and October 2006, over 18.3 million individuals received a forecast, meeting the PSA.

3.44 The emerging findings from the evaluation of forecasts suggest that most recipients consider them useful, but a significant net impact on retirement savings has not been identified. However, forecasts raise individuals' awareness of the extent to which they are prepared for retirement, and help them understand the consequences of their actions or inaction. This is itself of value, aside from its impact on retirement saving. Furthermore, it seems likely that the impact of forecasts' on awareness of retirement planning issues will be influenced by a range of factors, including: frequency of provision, comprehensibility of information, levels of financial capability, levels of marketing and success in branding, and tailoring of information to specific needs.

Extending working life information

3.45 DWP also provides related information through products such as the non-pensions specific "Are you over 50?" guide. The 2006 Welfare Reform Green Paper also proposed the introduction of a pilot of face-to-face guidance sessions to assess the scope for helping those over 50 to understand their options when planning for their working life and retirement.[13] The pilot will evaluate the factors that influence decisions around working in later life, the types of information people seek and the effectiveness of different means of providing such information.

3.46 In enhancing its information provision programme, the Government will seek to draw lessons from the extensive research it is carrying out to evaluate the success of current initiatives.[14]

[12] Basic State Pension and State Earnings Related Pension / State Second Pension.

[13] Department of Work and Pensions, *A new deal for welfare: Empowering people to work*, January 2006.

[14] Department of Work and Pensions, *Personal accounts: a new way to save*. Details of the pensions-related elements of this research programme can be found in Annex F of the May 2006 Pensions White Paper, *Security in retirement: towards a new pensions system*.

Box 3.8: The Pensions Education Fund

The Pensions Education Fund (PEF) aims to increase financial awareness among working people to help them make better plans for their retirements. It engages innovatively with employees and self-employed people through not-for-profit organisations to encourage them to make appropriate provision for their retirements. The PEF is targeted particularly at those sectors of the workforce where there is significant under provision, e.g. among women, the self-employed, people aged over 50, minority groups and young people. Examples of the 26 bids attracting funding include:

- Toynbee Hall, which through its Services Against Financial Exclusion (SAFE) project is targeting employees from minority ethnic groups, particularly Bangladeshis, working in the voluntary sector. Their aim is to provide information and education about pensions and savings in compliance with Sharia Law to 1,500 employees;
- the Scottish Transport Credit Union (STCU), which is targeting pensions information at around 15,000 individuals, principally ambulance and bus staff, through 100 trained local officers on the front line, using printed material, a website, interactive CDs and a dedicated phone line; and
- Pensions Force, a National Association of Pension Funds (NAPF) project that uses volunteer pensions experts to deliver tailored group presentations in the workplace, during work time. Presentations are targeted at those at greatest risk of making inadequate retirement provision and aim to raise awareness of the need to plan and the options, and directing people to further information.

Evaluation of PEF projects will consider their general impact, focusing particularly on the added value that a trusted third party can bring to the process. Interim findings in spring 2007 will inform decisions on the future of the fund, with the final evaluation due for publication in spring 2008.

Older people

3.47 Information and advice targeted at older people is available through the Pensions Advisory Service (TPAS) – an independent voluntary organisation funded by the Department for Work and Pensions – and the Pensions Service, which is part of the Department.

3.48 The Pensions Service provides a range of information resources for individuals and employers. It recently launched an improved version of its core resource: "Pensions the basics: A guide from the Government". This provides information to help people plan and save for retirement and signposts to further help and advice.

3.49 TPAS provides generic web-based information on all aspects of pensions. It also provides written and telephone advice, dealing with over 70,000 enquiries a year. TPAS arranges workplace seminars and workshops for employees on retirement planning, hosted by trained volunteer advisers.

Box 3.9: Examples of financial services industry and third sector support for increasing financial capability among older people

Barclays and Help the Aged are working together on a UK-wide programme to enable older people to better manage their finances, especially in times of change. The "Your Money Matters" programme aims to improve the skills, confidence and financial situation of older people by providing basic money management and debt advice. The UK-wide programme will consist of 18 projects funded until April 2009.

Age Concern, funded by the Pensions Education Fund, is running a number of initiatives aimed at providing the skills and information necessary for improved financial retirement planning among older people. It is using information surgeries and are developing a "Money Tree" CD Rom – a self help guide on pensions and financial planning and hopes to reach more than 5,000 individuals.

Annuities

3.50 One key decision for many older people is how best to turn their pension fund into an income in retirement. This is usually done using an annuity, where the pension fund is exchanged for a secure income for life. Individuals can choose to buy an annuity from the provider they built up their fund with or from another provider, who may offer a better rate or more suitable type of annuity. This ability to shop around is called the "open market option" (OMO).

The open market option

3.51 The FSA and Association of British Insurers (ABI) are working together to improve the OMO, through minimum industry standards and the FSA's comparative tables. However, around half of consumers still accept the annuity offered by their provider without shopping around potentially missing out on a better deal for them.[15] Evidence suggests many reasons for this inertia including lack of awareness of the OMO, lack of access to OMO for those with smaller funds, complexity and search costs and problems in transferring funds.[16]

3.52 *The Annuities Market*, published at the 2006 Pre-Budget Report, announced that the Government would work with key stakeholders to improve the operation of the OMO and outcomes for consumers. Among other things, the review will look at information provision and the potential for presenting consumers with more structured choices and guidance.

[15] HMT, *The Annuities Market*, December 2006.

[16] Financial Services Authority, *Consumer understanding of annuities*, (prepared for the FSA by ORC International), September 2002; and ABI, *Serious about Saving - Annuities, Bonus or Burden*, 2005.

4 MOVING FORWARD – CONFIDENT CONSUMERS AND WIDER REFORM

4.1 There has been substantial progress to date in building financial capability and providing support through public services, the voluntary sector, industry and the National Strategy for Financial Capability. The Government aims to build on this: to accelerate the pace of change and to use fully the levers it has to achieve higher levels of financial capability across the UK.

4.2 Significant challenges and opportunities remain ahead, from demographic change to the opportunities and needs presented by wider policy developments, particularly the Child Trust Fund and pension reform. This chapter sets out the Government's strategic approach and direction of travel for meeting the long-term challenges.

Strategic approach

Vision

4.3 The FSA's National Strategy for Financial Capability sets out a vision of "better informed, educated and more confident citizens, able to take greater responsibility for their financial affairs and play a more active role in the market for financial services".[1] The Government's aim is to contribute to a substantial increase in measured levels of financial capability across the population in the next ten to twenty years, taking account of long-term challenges and opportunities, and using available evidence to help determine priorities.

Setting priorities

4.4 The FSA's baseline survey indicated that consumers are least capable at choosing products and planning ahead. The survey also identified particular groups who were less capable across the board – younger people, the unbanked, those with low levels of educational attainment and those living in social housing – or who had a significant weakness in one area. 18–25-year-olds were particularly poor at planning ahead and choosing products; those aged 70–79 weak at choosing products and staying informed.[2]

4.5 Patterns of financial capability across the population are complex. However, it is clear that many people need greater support to plan ahead and choose financial products. The need for this type of support is growing, and it is not being fully met in the advice market. Young people have the lowest levels of financial capability and a lifetime of financial decisions ahead of them. There are also indications that more vulnerable groups tend to have lower levels of financial capability; the impact of poor financial skills will be greatest among these groups.

4.6 The Government's long-term aspirations are intended to address these priority areas:

- all adults in the UK should have access to high-quality generic advice to help them engage with their financial affairs and make effective decisions about their money;

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[1] FSA, *Building financial capability in the UK*, 2004.

[2] Financial Services Authority, Personal Finance Research Centre: University of Bristol, *Levels of Financial Capability in the UK: Results of a baseline survey*, March 2006.

- all children and young people should have access to a planned and coherent programme of personal finance education, so that they leave school able to manage their money well; and
- a range of Government programmes should focus on improving financial capability, particularly to help those most vulnerable to the consequences of poor financial decisions.

Measuring progress

4.7 The FSA intends to repeat its baseline survey in 3–4 years' time, which will provide valuable information about how the totality of effort on raising levels of financial capability is making an impact. The Government also intends to develop indicators, working with the FSA, which will provide information in the round about how consumers are using information, and the impact on the market of greater consumer awareness.

FUTURE CHALLENGES AND INFLUENCES

4.8 *Long-term opportunities and challenges for the UK: analysis for the 2007 Comprehensive Spending Review* set out the challenges facing the UK over the next ten years in terms of demographic, social and technological change, and the impact on the design and delivery of public services. The report highlights the relevance of demographic and social changes, including the UK's ageing population, rising living standards, smaller households, greater ethnic diversity and increasing female labour market participation.

4.9 These trends, particularly the ageing population, pose challenges and opportunities for consumers, industry and Government alike. Raising financial capability is an essential part of the response to these challenges. Wider developments in the financial services industry and public policy provide new opportunities to promote financial capability. The roll-out of the Child Trust Fund (CTF) and pension reform in particular are key.

Market challenges

4.10 The UK financial services market continues to innovate and evolve. The expansion of the European market has increased the range and sophistication of products available to individuals, some of which have previously only been available in the wholesale market. This degree of choice can be beneficial in helping individuals to meet their particular financial needs, but it increases the costs of acquiring information and the risks that consumers may buy the wrong product for their needs.

4.11 The advice market has arguably not kept pace with product development and in particular there is evidence of an "advice gap", especially for those on low or modest incomes. There is nothing to suggest that the market will move to fill this gap. If anything, the current trend is in the opposite direction: advisers are seeking more high net worth clients.

4.12 This lack of advice may have the effect of excluding consumers from certain products and contribute to a failure to provide adequately for the future through savings or insurance. This is all the more important given that financial risk is increasingly being transferred to individuals, in particular through the decline of defined benefit pension schemes.

Policy developments

Child Trust Fund

4.13 From September 2009 the first Child Trust Fund children will reach age 7. In 2018 they will take control of their accounts, managing the investments within them, and by 2020 these first accounts will mature, allowing holders access to their funds. This provides an opportunity for engaging young children in developing the financial capability to manage their own Child Trust Fund at age 16 and to make well-informed decisions about their finances throughout their lives.

Saving Gateway

4.14 The Saving Gateway is an account for lower-income households, currently being piloted by the Government. It is intended to encourage saving among those who do not usually save and to promote engagement with mainstream financial services. The Saving Gateway can also provide a practical route into developing financial capability through engagement with the account. The final evaluation of the second pilot is due to be published in spring 2007.

Personal accounts

4.15 Reforms announced in *Personal accounts: a new way to save*[3] mean that from 2012 as many as 10 million more individuals have the opportunity to save for their retirement through a low-cost, portable workplace pension scheme. Personal accounts will offer:

- automatic enrolment into a pension for eligible employees;
- a national minimum employer contribution of 3 per cent, between earnings of around £5,000 and £33,500 a year; and
- a minimum overall level of contribution of 8 per cent, of banded-earnings, for the personal accounts of employees with additional contributions from employees encouraged.

4.16 The introduction of personal accounts will have an impact on the demand for information, both before the event and when the new accounts are introduced. While personal accounts are being designed so that members will not be required to make active choices, improved levels of financial capability will help those members who want to make choices, such as a choice of fund.

4.17 The Government, alongside the personal accounts delivery authority, will provide individuals with the information they need to support the choices available: whether to opt out or save additional amounts; whether to choose a fund; and when and how to draw a pension. As the target group for personal accounts is new pension savers, improved levels of financial capability will help people to make best use of that information. This is a significant challenge, but also an opportunity to engage those on lower incomes in long term saving and investment decisions.

MEETING THE CHALLENGE: USING GOVERNMENT LEVERS

4.18 A wide range of Government programmes can be used – or used more effectively – to raise levels of financial capability. This section sets out some of the areas which offer these opportunities, and the first steps the Government intends to take.

[3] Department for Work and Pensions, *Personal accounts: a new way to save*, December 2006.

Children, young people and families

4.19 Building financial capability will support the economic well-being outcome in the Every Child Matters framework[4] and the Government will aim to integrate it across a range of services aimed at children, young people and families, such as extended schools.

4.20 It will also be important to ensure that staff who work with children, young people and families (e.g. social workers, youth workers and personal advisers) receive some training in financial capability. The FSA, in partnership with Citizens Advice and leading young peoples' charities Fairbridge and Kikass, has developed training to increase the confidence of intermediaries in talking about money with their clients. The Citizens Advice "Frontline Training" raises awareness and covers basic information about banking, debt, credit and budgeting, Kikass "Money Mastery" coaching enables participants to overcome the psychological barriers to becoming more financially capable, and Fairbridge "On Your Own Two Feet" trains workers to use financial capability elements within their group work. The Government will consider how best to build on this work.

Schools

4.21 The Government aims to give financial education a more secure place on the educational agenda, supported by the right resources and materials, particularly with respect to the Child Trust Fund.

4.22 As a first step, the Government will take the following measures:

- **Curriculum guidance:** the current guidance on financial capability in the curriculum was published in 2000. The Department for Education and Skills (DfES) will produce new guidance for schools incorporating the Child Trust Fund as a context for teaching financial capability.

- **Primary school resources:** the introduction of additional Child Trust Fund payments to 7-year-olds from 2009 provides a key opportunity to bring financial education to life for these children. The Government will work with stakeholders to improve the adequacy of support and resources for financial education in primary schools, especially CTF materials.

- **Key stages 3 and 4:** the Government will consult on the Qualifications and Curriculum Authority's proposals for reform of key stages 3 and 4 in spring 2007. The review will give greater clarity on the position of financial capability in the curriculum in the future. For 14–16-year-olds, functional maths will be included as an element within mathematics GCSE so that pupils who achieve a "C" grade or above will have mastered the functional elements.

4.23 There are an increasing number of qualifications in personal finance at GCSE, AS and A level-equivalent level. These attract UCAS points, making them an option for young people wanting to enter higher education. From 2007–08 the Learning and Skills Council will fund these courses, which should encourage more schools to provide them.

Training teachers

4.24 From September 2007 trainee teachers will be prepared for the functional mathematics element of the new diplomas for 14–19-year-olds. The Government will also examine the options for giving personal social and health education (PSHE) teachers more support, through developing an extension module within the PSHE continuous professional development programme.

[4] The Children Act 2004.

4.25 The Teacher Training Resource Bank is working with subject associations to develop internet-based resources for initial teacher training (ITT) tutors to support changes in the curriculum. This will provide additional support for teaching financial education.

Information for parents

4.26 The birth of a child is often a point at which people reassess their finances. Government support for childcare has made it much easier for mothers to return to work if they wish to, but a new baby still represents a financial challenge. The cost of raising a child has been estimated at as high as £180,000.[5]

4.27 The FSA has recently produced a "Parent's Guide to Money" for new and expecting parents. Subject to successful pilots the Government will look at how best to encourage local NHS organisations to disseminate the resource to all new parents through trusted intermediaries, such as midwives and health visitors.

4.28 A high proportion of parents engage actively with the Child Trust Fund – around three-quarters have used their child's voucher to open an account and many parents have engaged either by making contributions into their child's account or by switching provider to obtain a better deal. The Government recognises that some parents need extra support. Her Majesty's Revenue & Customs is funding a pilot to investigate the best ways of supporting and informing parents in the selection and management of Child Trust Fund accounts. The Government will also consider how best to use the contact with parents to promote financial capability.

[5] Liverpool Victoria's annual *Cost of a Child* survey, 2006.

Box 4.1 The Child Trust Fund as a tool for promoting financial capability

The Child Trust Fund is a groundbreaking initiative designed to strengthen the saving habit of future generations and ensure that at age 18 every young person will have access to a financial asset. The Child Trust Fund will also help bring financial education to life for children, providing a practical and real-life example of saving.

In September 2009 the first Child Trust Fund children will reach age 7 and receive their additional Government payments. In 2018 they will take control of their accounts, managing the investments within them, and by 2020 these first accounts will mature, allowing holders access to their funds. As a universal savings account, this provides an opportunity for engaging children – both at school and at home – in developing the financial skills to manage their own Child Trust Fund account at age 16 and to make well-informed decisions about their finances throughout their lives.

The Government intends that all young people should have had access to a planned programme of financial education in school. To ensure that the Child Trust Fund will be used effectively as a tool for engaging children and young people, the Government will work with financial education bodies to develop resources to support the use of the Child Trust Fund as a focus for financial education and will produce new curriculum guidance for schools, incorporating the Child Trust Fund as a context within which to teach financial capability. The Government will also work with stakeholders to promote a Schools Money Week as an additional focus for financial education.

The Child Trust Fund will also promote financial capability among parents and families of children with Child Trust Fund accounts. All new parents now have the opportunity to make a decision about their baby's Child Trust Fund, which provides them with a practical opportunity to develop and apply their financial skills. A high proportion of parents engage actively with the Child Trust Fund – around three-quarters have used their child's voucher to open an account – but some parents need extra support. To ensure that parents understand the choices available to them, the Government continues to run advertising and provide information to new parents, for example through the Child Trust Fund Week being run from 15–20 January 2007. The Government will also work with the voluntary and community sectors to provide extra help and support to those parents who need it.

Adult skills

4.29 The Government is committed to providing literacy and numeracy skills through the Skills for Life strategy. The Leitch review recommendations add stretch to the ambitions for that strategy and would enable many more people to acquire the skills they need to manage their finances. The Leitch review recommends some stretching objectives for 2020, including:

- 95 per cent of adults to achieve the basic skills of functional literacy and numeracy; and
- exceeding 90 per cent of adults qualified to at least Level 2.[6]

4.30 In light of the Leitch review, the Government will increase efforts to integrate financial education into basic skills learning; promoting the use of financial education as a route to numeracy skills.

[6] Leitch review of skills, *Prosperity for all in the global economy – world class skills, final report,* December 2006.

Benefit recipients and jobseekers

4.31 There is a particular need to ensure that those on the lowest incomes have access to help. The Government is already committed to signposting applicants for Social Fund budgeting loans to sources of financial education or advice. Some Jobcentres routinely refer clients to debt advice when available. The Government intends to build on this level of provision and to drive a more preventative approach.

Pensions

4.32 The Government's proposals for the introduction of personal accounts in 2012 will alter the context within which pensions information is provided. Automatic enrolment is intended to ensure that saving in a private pension becomes the norm – this significant cultural change offers the opportunity to reconsider how information is provided.

4.33 There will be a continuing role for Government to:

- make available information on State Pensions entitlements; and
- work with the industry to ensure that individuals receive sufficient information for all their pension entitlements and that the information being provided is understandable and helps individuals to plan any appropriate next steps.

4.34 There are also challenges of detailed design:

- how to strike a balance between more accurate but caveated and complex information, and providing information which is simpler but less detailed. For example, in providing estimates of future retirement income, assessing how best to set out the assumptions on which such projections are predicated such as individual behaviour, and future economic developments;
- while caution when issuing information about future entitlements is understandable given the number of factors that can influence the final outcome, there are also risks attached to not providing information;
- how can Government better enable individuals to take account of their different needs throughout their life cycle when making financial decisions? For example, how can individuals best be equipped with a complete picture of their private and state pension needs and requirements, and how can they be helped make the necessary retirement planning decisions in the context of other saving needs; and
- what contribution can web-based tools make to helping individuals take savings decisions which balance their savings needs, both for pensions and other purposes, against their day-to-day consumption? In helping them make these decisions, such tools should be able to take account of wider factors such as non-pensions saving, housing and health.

4.35 Looking forward to the introduction of personal accounts, there are two key areas for consideration – forecasts and the 'missing' advice market. The role of generic financial advice is discussed further below. On forecasts:

- currently, around one in three working age people receive an annual pensions forecast. While there could be benefits to increasing the number of people regularly receiving a forecast, there would also be associated costs. Similarly, there are potential benefits from improving the format of forecasts to make them more engaging, more informative and more easily understood; and

- in updating the forecasts to reflect pension reforms, the Government will look at how best to provide forecasts, including the detail of their format, drawing on research evidence about their effectiveness and international experience.

Box 4.2: Pensions information provision: learning from international experience

Swedish "orange envelopes":

Consists of an annual forecast for all adults, it provides:

- details of their state pension (how much has been paid in during the year and in total);
- details on the performance of the "premium" component – part of the state pension that individuals can choose to invest; and
- indications of how much an individual can expect to receive a month from their state pension in retirement, and the effect of variations in contribution level/retirement age.

Additional information, including a more accurate breakdown of the forecast, as well as the underlying assumptions, can be accessed through linked websites and helplines.

New Zealand "Sorted" website:

Consists of a website aimed at educating all individuals, from children to pensioners, about a range of financial and saving issues.

The website provides: advice – targeted at different age groups and focusing on different themes, such as mortgages, investment and retirement; games and surveys which highlight key financial issues; simple calculation tools which help people in making financial decisions.

4.36 The Government recognises that planning for retirement entails juggling disparate and complex information, and that people may encounter costs and difficulties along the way. Therefore it believes that there is a case for intervention to assist to help to ensure that individuals:

- understand the decisions that they face;
- understand the factors and issues bearing on those decisions, and the trade offs between them;
- identify the kinds of information which will enable those decisions to be made;
- draw together the information required to make those decisions; and
- carry out the calculations necessary to make the appropriate decisions.

4.37 Alongside its proposals for widening access to generic advice, the Government will consider what more needs to be done to develop an information strategy specifically for personal accounts.

MEETING THE CHALLENGES: WIDENING ACCESS TO GENERIC ADVICE

4.38 The Government's plans for using its levers more effectively to raise levels of financial capability are dependent on services being able to refer people to reliable sources of information and advice, and for people to be aware of the need to plan and manage their finances before a crisis strikes. In addressing the challenges highlighted above, generic advice will play an important role.

Personal accounts

4.39 For instance, people will have to make some important decisions in relation to personal accounts, for example, whether to stay in or opt out, their choice of fund, and whether to make additional contributions. The Pensions Commission's conclusion was that personal accounts should be delivered without the need for individual financial advice, ensuring costs of pension provision are minimised. However this does not mean no advice should be available and the Government recognises the importance of generic advice, especially in this context, to ensure that people have the information and advice to help make informed decisions about personal accounts and wider retirement planning.

Defining generic advice

4.40 Generic financial advice is unregulated advice which takes account of the specific financial circumstances of an individual, but which does not result in a product recommendation. Generic advice helps individuals to understand their current financial position, their available choices, and how to take further steps to meet their needs. It should be distinguished from debt advice, which addresses the single issue of helping an individual to deal with problem debt. Generic advice is both more comprehensive and less specialised.

4.41 There is some, limited, evidence about what consumers would want from generic advice. For example, in a survey conducted by the Consumers' Association in 2002 respondents ranked the following features of a generic advice service in order of importance as shown in Table 4.1.[7]

[7] Consumers' Association (now known as Which?), *National Financial Advice Network policy paper*, 2002.

Table 4.1: Important features of a generic advice service

Features and attributes	Judged as a "very important" factor for generic advice (percentage)
No pressure to buy	65
Free of charge	60
Unbiased	58
Affordable	56
Face-to-face advice available	54
Look at short- and long-term needs	53
Look at needs as a whole – not just, for example, pensions or mortgages	51
Be available locally	50

Source: Which? (formerly the Consumers' Association) 2002.

4.42 A total of 22 per cent of the same sample said they would be "very likely" to use a local financial advice service with these features; a further 39 per cent said they would be "quite likely" to use it. Only 14 per cent were "not at all likely". Similarly, 60 per cent of a more recent survey of a low-to-medium income group, conducted by the Resolution Foundation, said they would be interested in receiving financial advice; 40 per cent maintained they would use such a service at least once a year.[8]

Long-term aspiration

4.43 The Government believes that there needs to be a substantial increase in the provision of generic financial advice, and much greater awareness among people of the benefits of using generic advice to plan and manage their finances.

Standards

4.44 The Financial Sector Skills Council (FSSC) agreed National Occupational Standards for generic financial advice in 2006.[9] The standards set out key elements of a generic advice process, including:

- establishing the reasons for seeking advice;
- establishing the consumer's key financial concerns and gathering relevant information;
- identifying and agreeing the consumer's priorities and options, to enable informed financial decision-making;
- identifying ways of meeting financial needs for the consumer to consider; and
- referring to further financial information sources or advice.

[8] Resolution Foundation, *Closing the Advice Gap: providing financial advice to people on low incomes*, May 2006

[9] Financial Services Skills Council, *National occupational standards for providers of generic financial advice*, May 2006

Content of advice

4.45 The Government considers that these standards provide a good basis for developing generic advice. In addition, the Government considers it is particularly important for generic advice to take a holistic approach and include wider, but related, issues such as eligibility for benefits and tax credits.

4.46 Generic advice should also help and encourage the consumer to shop around, by increasing awareness of products and the available means of finding out about and comparing them. Building on the occupational standards, robust generic advice protocols will need to be developed which will cover a wide range of financial issues and questions in a manner that gives the consumer useful and relevant information on their options. Generic advice should also offer "advice on advisers", that is, explain what the consumer would get from the commercial advice market, how they would be charged, what documents they should receive and what the process might cover.

Relationship to regulated advice

4.47 The Government recognises that there are a number of issues that need to be resolved before generic advice can become a widely available service. As well as protocols, there are questions about the boundary with regulated advice. For example, can a generic adviser recommend that the client seek commercial advice? Can the "fact find" used in the generic process be reused to reduce the costs of regulated advice and still meet regulatory requirements?

Delivery

4.48 There are also questions about delivery. How should generic financial advice be delivered? Are there enough advisers with expertise in financial planning for a new resource to draw on, and are there mechanisms available to increase the supply of trained advisers in this area?

Targeting and demand

4.49 The FSA's future work on preventative money advice will focus on upskilling youth workers, housing workers and the voluntary advisory services (e.g. to lone parents, older people and the financially excluded). This will involve providing training for intermediaries to give them the confidence and competence to deliver simple guidance on money issues. The intention is that trusted intermediaries will be able to understand the generic financial issues that their clients have, be able to offer preventative money advice and be able to signpost clients to relevant sources of information for further, more detailed enquiries.

4.50 The FSA's programme, while directly addressing the needs of the client groups identified in the baseline survey, should also help to build and underpin targeted demand for more extensive financial advice. In this situation, individuals will need a place to turn to for further assistance. There is a related question on target groups, specialist intermediaries, and brand identification. Many of the present sources of generic advice and information are either identified closely with debt advice, crisis intervention or reaching vulnerable groups and a new service is likely to require clear and specific branding and advertising, perhaps supported by a national campaign, to secure the right audience.

4.51 Although a specific gap has been identified, a generic advice service is unlikely to be "excludable", as everyone will have access if they want it. So a further question is how a service could be effectively targeted and not become, in effect, state-subsidised competition against the commercial advice market. In principle, however, generic advice should also complement available commercial advice over time, by expanding the number of motivated and informed consumers.

A national approach

4.52 The Government believes that, in the light of its long-term aspiration, there is a clear case for developing a national approach to generic advice. Such an approach could be centred on a telephone-based service, as a single point of contact, with the potential for additional face-to-face support if required, for example, to support those most vulnerable to the consequences of poor financial decision-making. However, operational questions on the best means of delivering a generic financial advice network require further examination and discussion with all relevant stakeholders.

4.53 To address these issues, and related questions, the Government **will set up an independent feasibility study, led by Otto Thoresen, Chief Executive of AEGON UK, to research and design a national approach to generic financial advice, reporting to the Government by the end of the year.**

Box 4.3: Feasibility study terms of reference

To determine a range of models for achieving greater access to generic financial advice on a national scale, taking account of future developments in financial services markets and, in particular, personal accounts. To include recommendations on:

- the most effective way of serving different groups of consumers, ensuring effective targeting of those most vulnerable to the consequences of poor financial decision-making, including a telephone-based point of contact and the potential for additional face-to-face services;
- protocols for advice, acceptable to industry, the regulator and the third sector;
- accreditation, quality control and the boundary with regulated advice;
- branding, marketing and supporting demand through the development of an appropriate advertising campaign;
- overall costs and assessing long-term benefits;
- options for funding that reflect the benefits to all stakeholders of increasing financial capability over the long term; and
- institutional arrangements and governance.

DEVELOPING THE APPROACH: WORKING ACROSS GOVERNMENT

4.54 Financial capability contributes to a range of related Government objectives, and, conversely, many Government services help increase financial capability. Yet, within Government, no one department has overall responsibility for raising levels of capability; nor does any department have a duty to provide education, information or advice in relation to personal finance.

4.55 The Government considers that it is important to work across departmental boundaries to establish common goals for improving financial capability and to enable faster progress to be made. **The Government will set up an informal Ministerial group, chaired by the Economic Secretary to the Treasury, with representation from the departments of Education and Skills, Work and Pensions, Trade and Industry, Communities and Local Government and the Cabinet Office.** The Ministerial group will consult with the devolved administrations on those policies that are UK-wide, and with other departments – particularly Health and Constitutional Affairs – as appropriate.

4.56 The ministerial group will review the policies and programmes which have the potential to raise financial capability, and set long-term goals for the contribution that each can make. The review is likely to include:

- children, young people and families: improving information and advice for young people, promoting opportunities for children to learn about money, and sign-posting to information and advice for parents through extended schools and Sure Start Children's Centres;
- the curriculum: giving financial education a secure place on the educational agenda and issuing revised curriculum guidance;
- Child Trust Fund: promoting the CTF as a learning tool to bring personal finance to life in the classroom, linked to the first payments for 7-year-olds in 2009;
- adult skills: integrating financial education into basic skills learning; promoting the use of financial education as a route to literacy and numeracy skills;
- planning for retirement: making better use of pensions information to equip people to take decisions about their retirement; ensuring that the introduction of personal accounts is supported by appropriate information and generic advice;
- parents and carers: ensuring that personal finance resources prepared for parents are effectively distributed through trusted intermediaries; and
- ensuring there is effective signposting to information and advice about personal finance from a range of Government services such as the Social Fund and Jobcentre Plus.

4.57 The Ministerial group will be concerned with how Government levers contribute to raising financial capability. It will complement the work of the FSA Steering Group on financial capability, which is chaired by the Chief Executive of the FSA.

4.58 Drawing on the results of the consultation to this document, the Thoresen feasibility study and the Ministerial group, **the Government will publish a financial capability action plan by the end of 2007.**

Conclusion

4.59 The Government recognises the increasing importance of financial capability. Raising levels of capability will give consumers the skills they need to secure a better deal from financial services, manage their financial affairs and plan ahead with greater confidence. This can have wider benefits in the long term, including driving competition and raising standards in the financial services market.

4.60 Substantial progress has already been made; in particular the implementation of the National Strategy for Financial Capability, led by the Financial Services Authority. The Government's approach recognises that it must play an active role in promoting financial capability. Ensuring that young people receive support to build their financial skills, including use of the Child Trust Fund, and widening access to generic financial advice are central to the Government's effort.

5 CONSULTATION

5.1 This document has set out the Government's broad plan of action for achieving the vision of more financially capable consumers. There is more detailed work to be done, both on access to generic advice and on how to use the Government's levers to integrate financial capability into education and other programmes where they will have the most impact.

5.2 To inform this further work, the Government would like to hear from a broad range of stakeholders. Written responses to any of the issues raised in this document would be welcome. The Government is particularly interested in views on the following questions:

Scope

1. The Government proposes to review the role of financial capability in:

- services for children, young people and families;
- the schools curriculum;
- adult education, particularly adult basic skills;
- information for parents and carers;
- retirement planning, including the introduction of personal accounts and the annuities market; and
- the benefits system, particularly for jobseekers and social fund loan applicants.

Do these capture the programmes which can best help meet the long term challenges identified in Chapter 4, or are there any missing policies or programmes which the Government should consider?

2. The concept of financial capability can extend beyond knowledge of financial products and services. For example, it can encompass understanding tax and benefits, welfare issues, or skills in shopping around for utility or mobile phone providers. To what extent should the Government adopt part or all of a wider definition of financial capability?

Building evidence

3. Chapter 3 sets out a number of current financial capability initiatives. Which programmes or initiatives – delivered by Government, industry or the third sector – have been particularly effective in raising levels of financial capability? What can the Government learn from these, particularly for delivering education, information or advice to people who are most vulnerable to the consequences of poor financial skills?

4. Chapter 3 outlines the findings of the FSA's baseline survey into financial capability. What other information might policy makers need to inform further work in this area?

Coordination

5. Chapter 3 notes that there are many financial capability initiatives, often operating locally and with short term funding. Is a central coordinating function needed in addition to the work of the National Strategy and the proposed Ministerial group? If so, what should it include?

Generic advice

6. Chapter 4 highlights the gap in availability of generic advice, especially for those who are not currently well served by the advice market. The Government welcomes views to inform its work alongside the Thoresen feasibility study, which will examine the practicalities of delivery. Comments would be welcome on, for example, the boundary of generic and regulated advice, the relationship with current sources of advice, and the development of funding models that recognise the benefits to all stakeholders.

How to respond

5.3 The Government welcomes the views of all stakeholders on issues raised in this document. The consultation period begins with the publication of this document and will run for 12 weeks. Please ensure that responses to this document reach us by 13 April 2007. We cannot guarantee to consider responses received after this date. Responses should be sent to:

Jacqueline Latter

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Email: jacqueline.latter@hm-treasury.x.gsi.gov.uk

5.4 This document can be found on HM Treasury's website http//www.hm-treasury.gov.uk

5.5 When responding, please state whether you are responding on behalf of an individual or representing the views of an organisation. If responding on behalf of a larger organisation, please make it clear who the organisation represents and, where applicable, how the views of members were assembled.

5.6 All written responses will be made public on HM Treasury's website unless the author specifically requests otherwise in writing.

5.7 Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (these are primarily the Freedom of Information Act 2000 (FOIA), the Data Protection Act (DPA) and the Environment Information Regulations 2004). If you would like the information that you provide to be treated as confidential, please be aware that, under the FOIA, there is a statutory code of practice with which public authorities must comply and which deals with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality will be maintained in all circumstances.

5.8 An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as binding on HM Treasury. HM Treasury will process your personal data in accordance with the DPA, and in the majority of circumstances, this will mean that your personal data will not be disclosed to third parties.

5.9 Subject to paragraphs 5.7–5.8, if you wish part (but not all) of your response to remain confidential, please supply two versions – one for publication on the website with the confidential information deleted, and another confidential version for use by HM Treasury.

Cabinet Office code of practice

5.10 The Cabinet Office has published a Code of Practice for Written Consultations to guide Department's activities in this area, which sets down the following criteria:

- consult widely throughout the process, allowing a minimum of 12 weeks for written consultation at least once during the development of the policy;
- be clear about what the proposals are, who may be affected, what questions are being asked, and the timescale for responses;
- ensure the consultation is clear, concise and widely accessible;
- give feedback regarding the responses received and how the consultation process influenced the policy;
- monitor the department's effectiveness at consultation, including through the use of a designated consultation co-ordinator; and
- ensure your consultation follows better regulation best practice, including carrying out a Regulatory Impact Assessment if appropriate.

5.11 If you feel that this consultation does not fulfill these criteria, please contact:

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HM Treasury
1 Horse Guards Road
London SW1A 2HQ
Tel: 020 7270 5925

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