

HM Treasury's consultation on Financial capability: the Government's long-term approach

Ref 1507

1. Introduction

- 1.1 Age Concern England (the National Council on Ageing) brings together Age Concern organisations working at a local level and 100 national bodies, including charities, professional bodies and representational groups with an interest in older people and ageing issues. Through our national information line, which receives 170,000 telephone and postal enquiries a year, and the information services offered by local Age Concern organisations, we are in day to day contact with older people and their concerns.
- 1.2 While we are very pleased that the Government is taking a lead on financial capability, we are disappointed that there is no recognition of the needs of older people who have already retired. We have recently conducted research (published in our report *Making the money last*) which demonstrates older people's need for financial information and advice and includes some examples of relevant work carried out by Age Concern – in particular interactive retirement planning software called Money Trail (previously known as Money Tree).
- 1.3 We see a spectrum of need, ranging from information through to advice, that does not necessarily fit into neat categories. We therefore believe that the supply of information, advice and educational initiatives should be co-ordinated by a central body, set up as an independent charity. Our response to the Thoresen Review's call for evidence gives more details of how we see this working and should be read alongside this response.

- 1.4 Although there should be a central co-ordinating body, the scope of the information and advice need is so broad that we think it should not attempt to deliver the whole service itself. Where possible, delivery should be delegated to specialist or local organisations, to serve the needs of different segments of the target market. The central co-ordinating body should be responsible for delivering a well-promoted national 'gateway' service, dealing with simple cases and referring to specialist or local organisations as necessary.
- 1.5 Funding should come from Government, with a contribution from the financial services industry. The bulk of funding should be routed through the central co-ordinating body. However, if the service is successful in stimulating financial awareness, it is also likely to stimulate demand for advice services from existing advice agencies. The funding available for these agencies must be increased; it could seriously jeopardise many valuable local services if all funding is sucked into the national service.

2. Summary and recommendations

Scope

- People who are already retired are particularly vulnerable to the consequences of poor financial decisions.
- The Government should include services for older people in the list of policy areas for which it plans to review the role of financial capability.
- We support the existing areas picked out for review, particularly the area of planning for retirement.
- Government should review the role of financial capability for people in retirement within both the Opportunity Age and Link-Age Plus programmes.
- There should be an integrated service which ties together information, financial capability initiatives and generic advice, and provides an access point to more intensive face-to-face support.
- Meeting the needs of older people might also help to improve the financial capability of younger family members.

Defining financial capability

- The Government should adopt a broad definition of financial capability, to include paying for care, shopping around, and managing existing assets.

- Financial capability should include planning ahead for possible lack of capacity, for example by making wills and organising asset lists.
- The FSA should explore the implications of a self-compiled factfind.
- Adopting a wider definition of financial capability will require better co-ordination of existing services and a 'gateway' to help people access them.

Building on the evidence

- Promoting financial capability initiatives is challenging, but the evidence suggests that they increase knowledge and skills and can affect behaviour.
- Sufficient resources should be made available to encourage take-up.
- Any targets set should be realistic and initiatives should be given time to work.
- Financial capability services should be responsive to changes in an individual's own circumstances (such as divorce or bereavement).
- Financial capability initiatives should use the proposed introduction of Personal Accounts in 2012 as a spur to action.
- In addition to national telephone helplines, general advice services and trusted intermediaries are needed to encourage take-up, particularly for hard-to-reach groups.
- There should be a range of delivery options, including face-to-face sessions.

Further evidence required

- There is enough evidence for the Government to commit significant funding to financial capability.
- FSA should repeat its baseline survey of financial capability at regular intervals.
- A process of evaluation should be built into any new initiative.
- A co-ordinating body should collect and review evidence and share best practice.

Co-ordination

- We support the proposal to set up a Ministerial group to oversee Government work in this area.
- A new co-ordinating body is needed but should work with existing providers as far as possible.

- Delivery should be through independent bodies.
- Significant public funding is needed, and can be justified.
- Existing advice providers will also need sufficient funding to develop their services.
- The financial services industry should contribute to funding, but this should be ring-fenced to ensure independence.
- The co-ordinating body should feed back lessons learnt to the financial services industry.

Generic advice

- This area is covered in our separate response to the Thoresen Review's call for evidence.

Scope

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- *The Government should include services for older people in the list of policy areas for which it plans to review the role of financial capability.*
- *We support the existing areas picked out for review, particularly the area of planning for retirement.*
- *Government should review the role of financial capability for people in retirement within both the Opportunity Age and Link-Age Plus programmes.*
- *There should be an integrated service which ties together information, financial capability initiatives and generic advice, and provides an access point to more intensive face-to-face support.*
- *Meeting the needs of older people might also help to improve the financial capability of younger family members.*

3.1 We are very concerned that services for older people are not specifically referred to in the list of policy areas (in paragraphs 4.56 and 5.2) for which the Government propose to review the role of financial capability. We believe that, unless it specifically reviews the needs of older people, the Government will fail in its stated aspiration of improving financial capability for those most vulnerable to the consequences of poor financial decisions. Although the Financial Services Authority (FSA) baseline survey of financial capability¹ found that older people were generally more capable than younger people, it did find pockets of

¹ Financial Services Authority, *Levels of financial capability in the UK: results of a baseline survey*, March 2006.

weakness, particularly in shopping around and staying informed. This is borne out in our report, *Making the money last*, which shows that older people, even those on middle incomes, are extremely vulnerable to the consequences of poor decisions:

- Making financial mistakes can be far more serious, if you are no longer earning. In addition, major non-discretionary costs, such as council tax, are likely to form a far greater percentage of income once this falls on retirement.
- The move towards individual responsibility, rather than ‘cradle to grave’ state provision, increases the need for support and advocacy. For example, the introduction of individual budgets for care means that more individuals will have to have bank accounts to hold the payments.
- Market developments mean that people continually have to get to grips with new ways of doing things. Many older people cope well with such change, but they need information to do so, the capability to access such information, and advice if necessary. Choosing the right bank account is critical, for example, if you have limited mobility and want to access cash at a local post office (since not all accounts can be accessed at post offices).
- Life changes, such as bereavement, may produce new financial challenges, such as the need to manage on a much reduced income (a particular issue for widows as women tend to have lower incomes than men) and in some cases the need to start dealing with financial matters for the first time.
- Paying for long-term care is a particularly complex area, and one of the main areas on which Age Concern is asked for advice. For example, homeowners going into care who sell their home will need advice on how best to invest the money to pay for care; if they rent it out, they will need advice on how best to do so.
- Many pensioners are living on incomes lower than necessary because they are not claiming benefits to which they are entitled. In 2004-05 between £2.9 and £4.2 billion of income-related benefits went unclaimed by older people.²
- Health problems may increase the need for information and advice, often temporarily, but sometimes on an ongoing basis.

² Department for Work and Pensions, *Income-related benefits; estimates of take-up in 2004-05*, 2006.

For example, someone may need help ensuring that bills are paid while they are in hospital.

- 3.2 We agree that all the areas currently picked out for review are important in themselves, and particularly the area of planning for retirement (we assume that this will include the process of retiring, including choosing an annuity). The proposed new Personal Accounts scheme will provide better savings options for many on low and moderate earnings. However it is essential that people have access to appropriate information and advice. In our response to the Personal Accounts White Paper we said that people will need information and advice to help them to understand personal accounts and alternative means of pension saving, to decide whether to stay in the scheme and if so how much to contribute. At the point of retiring they will need to decide how to access their retirement savings, and they will also need to take a view on how much they can afford to spend, and how to husband their resources, in order to make their money last for the rest of their lifetime. Many of those who are enrolled into personal accounts will be making decisions about paying into funded pensions for the first time. Age Concern is particularly keen that the scheme, and information and advice about it, meet the needs of different groups including those with caring responsibilities (usually women) whose ability to work and save is often restricted.
- 3.3 However, we do not think that the needs of people who are already retired can be adequately encompassed within the existing list of areas chosen for review. The following areas seem to be the most relevant, but are not adequate on their own:
- the focus on adult basic skills in the priority area of adult education does not recognise that older people may cope perfectly well with day to day money management, but may need information about market developments tailored to their needs, or help adjusting to life changes.
 - the parents and carers strand is defined in paragraph 4.56 as 'ensuring that personal financial resources prepared for parents are effectively distributed through trusted intermediaries'. This ignores the many people who care for older relatives, and who are faced with decisions about, for example, managing bank accounts, paying for care, claiming benefits, lack of capacity, and what to do when someone needs residential care. To deal adequately with all these areas requires, at the very least, the capability to find out and access any help that might be available.

- the benefits system – paragraph 5.2 refers only to jobseekers and social fund loan applicants. However, for older people in particular it is often impossible to make a sensible financial decision without taking state benefits into account. For example, before considering equity release any older person should first consider the impact on means-tested benefits (and are likely to need help in doing so). The availability of state funding for residential care also underlies many financial decisions in later life, and we are also aware of people being advised to buy care insurance when they would have been entitled to fully-funded care from the state.

3.4 We believe that services for older people who are already retired should be a specific priority area. Particular needs for this group are covered in our report *Making the money last*, but include:

- Help with day to day money management for those who need to adjust to market developments, people who are financially excluded, and people who are less able to cope on their own because of health difficulties or following a life change, and in particular following bereavement.
- Raising awareness of the value of shopping around, and information and advice on how best to do so, including effective use of the internet.
- Help with benefits. Improved financial capability could also help older people reduce their outgoings and give them the confidence and skills they need to complete benefit application forms and navigate complicated systems in order to claim their entitlements.
- Preventative work to ensure that any borrowing, particularly equity release, is managed wisely.
- For people who need care, and their carers, information and advice on how to pay for it, and on benefits and money matters in general.

3.5 The Government's Opportunity Age strategy³ referred to the importance of financial capability for people of working age, but we would like to see Government review the role of financial capability for people in retirement within both the Opportunity Age and Link-Age Plus programmes.

³ Department for Work and Pensions, *Opportunity Age*, March 2005

- 3.6 While some needs may be met by greater financial capability and more accessible information, others are likely to require some form of advice. In practice, needs are likely to lie on a spectrum between information and fully regulated advice. Since individuals are unlikely to appreciate the distinction between (say) information and generic advice, we believe that any provision should reflect this, by offering an integrated service which ties together information, financial capability initiatives and generic advice, and providing an access point to more intensive face-to-face support as necessary.
- 3.7 Making older people a priority for review would also, we believe, bear dividends for younger people. Older people need not be the passive recipients of services. Research regularly points out that many people prefer to turn to family and friends for advice and information. Taking an intergenerational approach to financial capability would ensure that accurate information is disseminated and key messages are reinforced, and would avoid ‘over-professionalising’ basic household management which many individuals might not see as a suitable topic for formal ‘learning’. It might also help break a cycle of financial exclusion, where poor financial capability has been carried between different generations of the same family.
- 3.8 Our research shows that the commercial advice market is unlikely to meet all these needs. Older people make up around a quarter of the people in the ‘advice gap’, as defined by the Resolution Foundation (that is, largely independent of state support but with incomes too low for financial services companies profitably to advise). In addition, the limited range of financial products used by the middle-income people in our research meant that financial advisers were not seen as an appropriate source of advice. They were more likely to approach major high-street institutions such as banks, but these will not usually help with shopping around among their competitors. Nor do most financial organisations have the benefits expertise that is an essential under-pinning for advice in later life.

4. Defining financial capability

- *The Government should adopt a broad definition of financial capability, to include paying for care, shopping around, and managing existing assets.*

- *Financial capability should include planning ahead for possible lack of capacity, for example by making wills and organising asset lists.*
- *The FSA should explore the implications of a self-compiled factfind.*
- *Adopting a wider definition of financial capability will require better co-ordination of existing services and a 'gateway' to help people access them.*

4.1 We would like to see the Government adopting a broad definition of financial capability, to include tax and benefits, paying for care, and shopping around for key items of expenditure. This is entirely consistent with the definition set out in the FSA's baseline survey of financial capability which breaks down financial capability as:

- Managing money
- Planning ahead
- Choosing products
- Staying informed.

4.2 Any financial capability initiative must meet individual needs, rather than any pre-conceived idea of financial capability, if it is to succeed. Individuals may not perceive any distinction between formal categories that may have emerged for legislative or administrative reasons.

4.3 As the FSA definition suggests, an important part of financial capability is managing what assets individuals already have. The respondents in *Making the money last* also saw this as important, and there were several who had planned ahead for bereavement or lack of capacity by making lists of existing accounts and so on, and some who had benefited from such 'asset lists' (or suffered from the lack of them). We would like to see any initiative encouraging people (of all ages) to make wills, compile asset lists, and plan ahead in this way. We think this would also be valuable for people who go on to take advice, and for financial services advisers, who point to the costs of compiling the 'factfind' document summarising individuals' existing financial position, that is produced to comply with FSA's 'know your customer' rules. In addition to the cost implications, the material on a factfind is important personal information, and it is appropriate that individuals should 'own' it. We would like to see the FSA explore the effect of a self-compiled factfind on the advice market, and

the advantages and disadvantages of permitting professional advisers to rely on a self-completed factfind.

- 4.4 Too narrow a definition, concentrating on financial products and services alone, risks excluding the very people who are most vulnerable to poor financial decisions. For example, someone with savings of, say, £2,000, might get a better return from choosing the right utility provider than from choosing a savings account paying 1% extra interest.
- 4.5 A wider definition is also far more likely to engage the public than financial matters, which they may see as dull or 'not for us'. The research evidence shows quite clearly that financial capability initiatives are more likely to succeed if they avoid anything that sounds 'financial' (see paragraph 4.5). Utility bills, for example, are a matter of great concern to many people on restricted income, and financially-excluded groups may be more likely to participate in educational initiatives if they are included – witness the success of the Toynbee Hall/SAFE programme *Bulbs, benefits and bank accounts*, which provided energy-saving lightbulbs as an incentive for participating.
- 4.6 We recognise that it may be more difficult to deliver financial capability across a broad range of topics. However, we believe that solutions can be found. For example, detailed specialist knowledge may be less important than developing 'softer' skills such as tips for shopping around and an awareness of how much money can be saved, and information on how to access information services. More detailed specialist information can be provided through back-up resources, or a trusted intermediary can act as a 'facilitator', supported with interactive resources (this is the approach that Age Concern is taking with its Money Trail interactive retirement planning software).
- 4.7 Where specialist knowledge is necessary, this can be brought in as long as there is a structure within which to do so. For example, Age Concern works together with Tax Help for Older People (TOP), with some local Age Concerns providing referrals and the premises on which TOP can meet clients, and TOP specialists providing the expertise.
- 4.8 Although existing services should work together better, a strong 'gateway' would be helpful. We note recent research by the Legal Services Research Commission into the money advice outreach pilots in disadvantaged areas⁴, which found that 55% of

⁴ Legal Services Research Centre, *Putting money advice where the need is*, March 2007

interviewees with a Citizens Advice Bureau within two miles were not aware of this. We would like to see a new National Generic Financial Advice Service providing such a gateway.

5. Building on the evidence

- *Promoting financial capability initiatives is challenging, but the evidence suggests that they increase knowledge and skills and can affect behaviour.*
- *Sufficient resources should be made available to encourage take-up.*
- *Any targets set should be realistic and initiatives should be given time to work.*
- *Financial capability services should be responsive to changes in an individual's own circumstances (such as divorce or bereavement).*
- *Financial capability initiatives should use the proposed introduction of Personal Accounts in 2012 as a spur to action.*
- *In addition to national telephone helplines, general advice services and trusted intermediaries are needed to encourage take-up, particularly for hard-to-reach groups.*
- *There should be a range of delivery options, including face-to-face sessions.*

5.1 A number of organisations have already run financial capability schemes, including the FSA, Citizens' Advice, a number of Age Concern organisations and many other local organisations. The work carried out by Age Concerns is described in our report, *Making the money last*, but below are some of the key points arising from the evidence that we believe should be incorporated in any new initiative.

- The need to promote the existence of information and advice, and to encourage people to use it. This is likely to require a range of delivery mechanisms.
- The recognition that one size does not fit all and that initiatives to improve financial capability and provide financial information and advice need to be targeted to suit particular sections of the population and that even within specific groups people have preferences in their learning styles and ways of finding information.
- The importance of tailoring provision to the 'trigger' points at which people are most likely to seek information or advice.

- The need for ‘gateways’ to provide access to the whole range of information and advice services available.
- The importance of helping individuals manage and keep track of the financial assets that they already have.

Encouraging take-up

- 5.2 All the research to date suggests that the need for improved financial skills, or for financial information and advice, is largely unseen, and promoting anything ‘financial’ or ‘educational’ is likely to be difficult. However, if people can be encouraged to try what is available, most people benefit. The implication is that significant promotion, and very careful branding, is needed for any initiative (we note that the promotion of the New Zealand ‘Sorted’ website is reported to take 75% of the budget⁵).
- 5.3 Any targets set for any service should be realistic, and initiatives should be given time to work.
- 5.4 Our report *Making the money last* describes a ‘Money Spinner’ pilot educational programme run by Age Concern Blackburn with Darwen. This found that although promoting the scheme was challenging initially, it uncovered a hidden need; at every session people commented that, even where they thought that they knew the subject, they had learned something new. There have been similar findings in programmes aimed at very different target markets. For example, the evaluation of the FSA workplace education programme⁶ showed that before the programme, the majority of participants defined themselves as capable money managers and believed in saving and planning ahead, even if it wasn’t always possible. But after the programme, most participants felt that it had increased their knowledge and skills and a quarter had made changes to the way they saved as a result.
- 5.5 Both the Citizens Advice Financial Skills for Life pilots and the Community Finance Learning Initiative pilots⁷ show the difficulty of promoting educational initiatives, and also the benefits of doing so, as beneficiaries reported greater confidence, greater attention to money management, greater knowledge of how to manage

⁵ Pensions Policy Institute, *Lessons from New Zealand’s Retirement Commission for UK policy on financial awareness and advice*, June 2006

⁶ ECOTEC Research and Consulting Ltd., *Make the most of your money: Evaluation of the FSA workplace pilots initiative*, January 2006

⁷ ECOTEC Research and Consulting Ltd., *Evaluation of the Community Finance and Learning Initiative and Saving Gateway Pilots*, July 2004

credit and debt, and increased priority to savings. Key points we note from the various evaluations are:

- Persistence is needed when trying to market services to 'hard to reach' groups. Successful marketing involves 'word of mouth', working through intermediaries such as local community and voluntary groups and organisations. Participation in events can be encouraged by the provision of incentives such as refreshments, and competitions with prizes. Typical mass-marketing techniques such as leafleting are unlikely to work.
- Beneficiaries may be reluctant to take part in generic workshops or any types of structured training, responding better to a personalised, dedicated service such as one to one support to walk them through the process, tailored learning, with flexible meetings planned around the users' needs rather than the tutors'.
- Take up is likely to be greater at an accessible venue that people feel comfortable with – financial and educational venues may be off-putting to those who had not used them for some time or who had had bad experiences of them.
- Initiatives should ensure privacy and avoid any implication of 'stigma' associated with seeking advice on money matters, particularly in a lower-income target market where there is no culture of consulting a professional adviser.

Using trigger points

5.6 The importance of making services responsive to 'trigger points' such as a change in their personal circumstances, is demonstrated by the Legal Services Research Centre's *Causes of action*⁸ research. This found that clusters of problems were associated with particular events, such as relationship breakdown, ill-health and disability, redundancy and bereavement. In FSA research⁹ impending retirement was also found to be a spur to action.

5.7 In addition services should build upon external changes in the financial environment. The introduction of personal accounts in 2012 is likely to be an extremely important spur to action. As

⁸ Legal Services Research Centre, *Causes of action: civil law and social justice*, 2006

⁹ Financial Services Authority, *The impact of any ageing population on the FSA*, January 2002

referred to in paragraph 3.2 above we believe that support to enable people to make informed decisions around personal accounts is central to the success of the scheme and a key aim of the financial capability strategy and the development of a generic advice service should be to ensure that people are equipped to make appropriate decisions about saving for their retirement in the context of their overall financial plans.

- 5.8 Other spurs to action might be the proposed Unclaimed Assets scheme, any changes to the Savings Gateway, and of course the Child Trust Fund. Other external spurs to action might be 'shocks' such as the Farepak collapse (an educational campaign is already planned in response to this collapse¹⁰).

Access gateways

- 5.9 The *Causes of action* research¹¹ highlights the existence of 'referral fatigue', whereby the more often people are referred on to another advice service, the less likely they are to act on the referral. It suggests that general access numbers, connecting individuals with services in their community, would be helpful and mentions the 2-1-1 and 3-1-1 information and referral numbers being developed in North America (see www.211.org). Some form of central access gateway would help to ensure that people get to the appropriate source of information as easily as possible.
- 5.10 However, there are many existing advice services (including those run by Age Concern) that are themselves likely to be 'gateways' for particular sections of society. Many people will not be comfortable approaching a telephone helpline direct, even if they know about it, and will prefer to approach trusted local services. These local services are likely to act as a portal to any central advice service, as well as receiving referrals from any 'gateway' service.
- 5.11 Several of the evaluations of previous initiatives have shown the importance of involving other intermediary organisations, such as community centres, as this can increase the reach of any local provision. For example, a specific recommendation of the evaluation into prototype services run under the Better Government for Older People programme¹² was the use of 'Signposters', trusted and respected volunteer and non-volunteer individuals who were able to signpost individual customers to the

¹⁰ HM Treasury press release, 28 March 2007

¹¹ Legal Services Research Centre, *Causes of action: civil law and social justice*, 2006

¹² Department for Work and Pensions research report No. 136, *Modernising service delivery; the better government for older people prototypes*, January 2001

service, e.g. home helps, care workers, wardens, mobile library staff, charity workers, etc.

Delivery options

- 5.12 We note that several organisations (including the FSA, National Association of Pension Funds and several commercial providers) already carry out financial capability work through the workplace and we welcome this. However, to avoid excluding some key groups – people who are already retired or out of work against their wishes, or working people with unstable working patterns (perhaps because of caring responsibilities), working for a small employer or self-employed – workplace provision should be supplemented by more direct methods.
- 5.13 Although we appreciate that cost restraints mean that as much as possible will need to be provided on the internet and over the phone, and that many people prefer the convenience and anonymity of such services, they will not be enough on their own: some face-to-face support will be needed. For example, anybody with low literacy skills, or who finds financial jargon difficult, may need the opportunity to go through paperwork face to face. Which? found that, when presented with a menu of options, face to face advice was picked out as very or quite important more often than other forms of advice (88% of respondents, compared to 76% for telephone advice and 59% for workplace advice)¹³. A note of caution also comes from New Zealand, where a telephone information service received only 28 calls in the month it was trialled¹⁴.
- 5.14 Face-to-face support is particularly important for those who are less confident, or more vulnerable to social exclusion. For example, four out of five interviewees in the Legal Services Research Centre's evaluation of money outreach pilots preferred face-to-face advice. The interim evaluation of the second Saving Gateway pilot¹⁵ (IFS 2006b) also found that the idea of a free drop-in centre for independent financial advice is seen favourably by those who like to speak to someone in person rather than learning on their own, typically single people who do not have anyone to talk to about their finances and have not received much financial education or advice in the past.

¹³ Which?, *Advice for life: National Financial Advice Network Policy Paper*, May 2002

¹⁴ Pensions Policy Institute, *Lessons from New Zealand's Retirement Commission for UK policy on financial awareness and advice*, June 2006

¹⁵ Institute of Fiscal Studies, *Interim evaluation of Saving Gateway 2*, July 2006

- 5.15 Any financial capability work aimed at older people should also draw on the work carried out by the National Institute of Adult Continuing Education (NIACE)¹⁶. This found that delivery was most successful when:
- learning happens in short specifically targeted sessions, not long courses
 - there is hands-on work and practical methods are used, such as exercises, case studies, games and quizzes
 - the format and worksheet styles are relevant to the age group
 - learning with peers and sharing information is encouraged, including women only sessions (but see paragraph 5.5 above for provisos about privacy)
 - learning is at the pace of the learner and does not move on too quickly
 - the facilitator is non-judgemental and the environment is non-competitive
 - Topics are offered when people need them, at key stages in their lives, and any learning builds on previous experience
 - groups meet at appropriate times of the day, for example at lunch time with food provided
 - ICT is offered, as many older people are keen on developing their ICT skills.

6. Further evidence required

- *There is enough evidence for the Government to commit significant funding to financial capability.*
- *FSA should repeat its baseline survey of financial capability at regular intervals.*
- *A process of evaluation should be built into any new initiative.*
- *A co-ordinating body should collect and review evidence and share best practice.*

¹⁶ National Institute of Adult Continuing Education, *Promoting financial capability for older people*, August 2005

- 6.1 We believe that enough evidence is now available to show the value of financial information, education and advice, and to give an indication of what works in practice. There have been a considerable number of pilot projects; although any initiative should be piloted, there can be problems if projects are continually piloted and never move beyond this stage. In the third sector, core funding is needed to maintain the infrastructure of staff to deliver educational initiatives, and a series of pilots is not a very efficient way of operating, as each new approach takes time to set up and evaluate.
- 6.2 We believe that the time has now come for Government to commit significant funding. Any such funding should also be committed for a minimum period, as the problems of encouraging take-up are likely to take time to overcome. A longer time period over which to evaluate any initiative would also give policy-makers a better indication of its longer-term effect.
- 6.3 This is not to say that evidence should cease to be collected. In our view, the following evidence is important:
- FSA should repeat its baseline survey of financial capability at regular intervals
 - A process of evaluation should be built into any new initiative
 - One body should be given responsibility for collecting information on what initiatives take place, perhaps following the model of the Personal Finance Education Group (PFEG)
 - That body should also forge links with organisations offering non-financial advice and information (such as legal advice) to ensure that best practice is shared.

7. Co-ordination

- *We support the proposal to set up a Ministerial group to oversee Government work in this area.*
- *A new co-ordinating body is needed but should work with existing providers as far as possible.*
- *Delivery should be through independent bodies.*
- *Significant public funding is needed, and can be justified.*
- *Existing advice providers will also need sufficient funding to develop their services.*
- *The financial services industry should contribute to funding, but this should be ring-fenced to ensure independence.*

- *The co-ordinating body should feed back lessons learnt to the financial services industry.*

7.1 We believe that a central co-ordinating body is needed, but that it should work with existing providers as far as possible. We have argued above that there should be a broad definition of financial capability, and a range of delivery methods, and this is likely to require a broad range of provision: no one provider is likely to have the expertise in all areas, and the evidence suggests the importance of working through intermediaries that are known and trusted.

The role of government

7.2 The commitment indicated by the proposal to set up a Ministerial group is very welcome, but when it comes to delivery, we think that it will be important to work through independent bodies, with independent governance. However, we believe that significant public funding will be needed. The Resolution Foundation has already demonstrated the public value of better financial capability. Also see our evidence to question CS3 of the Thoresen Review call for evidence.

7.3 New legislation and policy should be assessed for its impact on information and advice services and any extra funding should be the responsibility of the department concerned.

The role of the FSA

7.4 Similarly, although the FSA has done much good work in financial capability, we do not think it is appropriate for it to act as the co-ordinating body. In part this is because its funding is drawn solely from regulated firms, and as such its financial capability work may be vulnerable to funding pressures. The FSA 'brand' is also vulnerable to regulatory problems and we would not wish to see this taint any financial capability work. The role of the FSA, and how it would interact with any co-ordinating body, would need to be considered further as part of the Treasury action plan.

The role of existing agencies providing information and advice

7.5 As suggested above, we believe that existing agencies will have a very important role to play in the process of improving access to financial information and advice, particularly in meeting the needs of 'hard-to-reach' groups. However, they cannot do this without access to adequate core funding.

- 7.6 In addition, agencies who have previously tended to concentrate on welfare rights will need to develop their knowledge and capacity on these issues, and may need support do so.

The role of the financial services industry

- 7.7 The financial services industry is likely to benefit from financially capable consumers who are more likely to engage with their services, and therefore will have a role to play in funding information and advice. However, this should be 'ring-fenced' by an appropriate governance mechanism to ensure that the advice is impartial.

The role of the co-ordinating body

- 7.8 We think that the role of the co-ordinating body should be to define the scope of advice offered by each agency, to identify and fill any gaps in the provision of information and advice, and to reduce any overlaps. This will involve:

- building partnerships with existing advice agencies, both in the financial field and related fields such as legal services
- delivering a central 'gateway' advice service, referring to other 'partner' organisations where appropriate (and receiving referrals from them in turn)
- disseminating best practice and encouraging high standards
- keeping a directory of services offered by partner organisations
- feeding back lessons learnt to partner organisations, but also to the financial services industry and industry regulators, to ensure that industry practices are improved (such as industry terminology that causes particular confusion)
- third sector bodies should be free to raise funding themselves. But a co-ordinating body may have a role to play in collecting and distributing some form of central funding.

8. Generic advice

- 8.1 We were pleased by the Government's decision to set up the Thoresen Review, and stand ready to assist in the process of getting a national generic financial advice service off the ground. This area is covered in our separate response to the Review's call for evidence.

A list of Age Concern England policy papers is available from the Policy Unit at the address given below on receipt of a large sae. The list is revised in March, and September of each year. Most policy papers are also available to download on our website: www.ageconcern.org.uk.

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Policy Unit, Age Concern England, Astral House, 1268 London Road, London SW16 4ER. Registered charity no. 261794

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