

Consultation response

Ref: 4909(S)

HM Treasury consultation *Reforming financial markets*

30 September 2009

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In the wake of the financial crisis, HM Treasury is consulting on reforms to the regulation of financial markets. This consultation includes proposals to:

- Strengthen regulatory institutions
- Manage systemic risk
- Improve international and European cooperation
- Support and protect consumers
- Improve competition and choice in financial markets.

Key points and recommendations

1. Age Concern and Help the Aged welcomes the proposals in this paper to improve the financial services marketplace for consumers. We particularly welcome proposals to roll out a national Money Guidance service from spring 2012 and support proposals for consumer credit firms (with the exception of impartial, free debt advice agencies) to contribute to the cost.
2. We support the proposal for an independent consumer education authority with revenue-raising powers. Consumer education should be defined widely and not restricted to matters regulated by the FSA or OFT. We recommend that the consumer education authority should also be given a duty to support financial inclusion.
3. The consumer education authority should have a coordinating role with other agencies providing consumer education and it should consider developing an accreditation scheme for resources produced by the industry.
4. The consumer education authority should be free to raise wider issues of concern, and to share information on a confidential basis with the regulators and Financial Ombudsman Service, but it should not itself seek to be a regulator or 'voice of the consumer'.
5. However, education should not be a substitute for regulation. Funding should not be diverted from consumer protection into education.
6. We strongly welcome proposals to reform the wider implications process, strengthen regulators' powers (including extending FSA's powers under s404 of FSMA) and introduce some form of collective redress.
7. While we agree that it is important to reduce barriers to entry in retail banking, this needs to be balanced with ensuring continued access for consumers who are not in a position to benefit from new technologies.

8. An immediate step to facilitate competition would be to ensure that all banks make their current accounts accessible through post offices, and consider sharing branch facilities.
9. We welcome debate around product labelling, however rather than simply labelling products the Government should not shy away from encouraging industry to develop alternative products where necessary (as it did with basic bank accounts). Labelling should not be a substitute for regulatory action where a product is intrinsically unsuitable for its target market.
10. Any system of labelling should apply across the lifetime of a product, not just on product purchase, so that existing owners are aware of the value of switching.
11. Providers may need an incentive to adopt labelling. Labelling should work in tandem with regulatory action, for example an RU64 approach.
12. Markets that may benefit from labelling include annuities, group personal pensions, plastic cards in general, 'structured' products, superseded accounts and travel insurance.