



ASSOCIATION OF CONSULTING ACTUARIES

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14 February 2017

HM Treasury

Dear Sir / Madam

**Public financial guidance review: consultation on a single body**

I am writing on behalf of the Association of Consulting Actuaries in response to the consultation with the above name issued on 19 December 2016. I am sorry for slightly missing your response deadline.

Although it appears that the decision to merge the three existing guidance bodies into a single body has already been taken, we question whether it is right to combine a non-pensions body with two pension bodies which are largely working well. This merger could in fact lead to a reduction in the quality of financial guidance in respect of pensions. Although there may be some individuals who need guidance on both pensions and debt problems, we believe that there is a danger that the remit of the single financial guidance body (SFGB) may be too great and therefore its effectiveness diluted.

Our responses to the questions set out in the consultation document are set out in the Appendix.

We hope that you find these of assistance and would be happy to discuss them further if that is helpful. Please contact either me on 020 7432 6635 ([david.everett@lcp.uk.com](mailto:david.everett@lcp.uk.com)), or my colleague Nigel Sloam on 020 8209 1222 ([nigel@nigelsloam.co.uk](mailto:nigel@nigelsloam.co.uk)) who prepared this response.

Yours faithfully

A handwritten signature in black ink, appearing to read 'David Everett', written in a cursive style.

**David Everett**

Chairman, Pension Schemes Committee

On behalf of the Association of Consulting Actuaries Limited

Sent by e-mail to: [financialguidanceconsultation@HMTreasury.gsi.gov.uk](mailto:financialguidanceconsultation@HMTreasury.gsi.gov.uk)

### ACA response to the consultation on a single financial guidance body

#### Introduction

***Q1. Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?***

We believe that people who have disabilities or are elderly may well have particular difficulty in finding and obtaining financial guidance. Each of these groups, as opposed to other groups with protected characteristics, may have greater need for public financial guidance.

#### A single financial guidance body – remit and priorities

***Q2. Do you agree that these areas capture what the broad role of the SFGB should cover?***

Although it appears that the decision to merge the three existing guidance bodies into a single body has already been taken, we question whether it is right to combine a non-pensions body with two pension bodies which are largely working well. This merger could in fact lead to a reduction in the quality of financial guidance in respect of pensions. Although there may be some individuals who need guidance on both pensions and debt problems, we believe that there is a danger that the remit of the SFGB may be too great and its effectiveness therefore diluted.

***Q3. Do you agree that the SFGB's financial capability initiatives should focus on priority groups such as those who are most in need of support to build resilience?***

We agree that the SFGB's financial capability initiatives should have a strong focus on priority groups. Nonetheless, again there are others who will be less needy, but who will still not know where to go to obtain applicable guidance. We believe that such persons should also be given priority.

We believe that an additional priority should be to give guidance to pensioners during their retirement. Following the introduction of the new pension freedoms in April 2015, putting a pension into payment is no longer necessarily a one-off decision taken at (say) age 65, but a series of decisions that may be taken over a number of years and which may need to be adjusted as a result of changes in personal circumstances, such as a deterioration in health or a bereavement as well as changes in financial circumstances. It is therefore important that guidance should be available for pensioners who are drawing their pension, who may be among the most vulnerable priority groups.

***Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations to improve financial capability?***

In general terms, the SFGB or its equivalent should have a strategic role as stated – but, if its focus is purely on protected groups, then its strategic effectiveness will diminish. If its role is genuinely to coordinate financial capability across the nation, then this is a different matter.

***Q5. How might the SFGB develop its understanding of what works and usefully contribute to sector wide research?***

We believe that the SFGB should consult with and take note of the comments of the advisory community on specific sectors. Dealing with groups such as SAGA, Age Concern and similar organisations would be beneficial. One huge problem on which financial guidance will be needed continuously is that of financing increasing longevity and long-term care, against the background of pensions and debt concerns. This affects the entire population and should be an important focus for the proposed body.

***Q6. In what ways could the SFGB co-ordinate and add value to the provision of financial education?***

A first point is to ensure that any information provided by the SFGB is publicised in the media which children and young people actually read. These include broadcasting, as well as social media. It would be highly desirable if the SFGB tested the effectiveness of the various parts of the media and ensured that financial education was disseminated in a way that actually reached the directed recipient.

***A single financial guidance body – further particulars***

***Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?***

As in question 6 above, we believe that delivery channels are all important. Younger people may prefer social media to phone calls. The elderly will not necessarily utilise a website service and may be afraid of telephone bills. Therefore, information has to be disseminated for this group through newspapers and broadcasting and television media. In addition, opportunities should be given for face-to-face consultations.

***Q8. How should the SFGB ensure that it engages consumers at the right time for them?***

We believe that the SFGB will only engage consumers at the right time for them if it continues to advertise its existence and services in a regular, piston-like fashion. It must continue to advertise its existence through the media outlets set out above and in this way will have far more chance of engaging with consumers at the right time.

One problem with an all-purpose body is that consumers will have to be passed through a filter to obtain the right guidance and this process may be off-putting, particularly for the most vulnerable groups in society.

One of the advantages of the proposed new body is that it could deal with linked problems such as debt in retirement. By contrast, this may make the body less approachable for people with specific problems.

***Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?***

The ACA believes that the levy paid for by pensions should be ring-fenced for pension-related guidance and not for example, guidance on debt.

We therefore believe that the current position set out in 3.2.3 should be maintained and there should not be cross-subsidies.

***Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?***

We believe that the proposed body should aim to provide financial guidance across the entire nation, particularly as people move around between England, Scotland, Wales and Northern Ireland and may well have financial interests resulting from all parts of the United Kingdom. We believe therefore that the SFGB should have a truly national role, but local providers of pensions guidance could tailor the outcome of the SFGB appropriately for their local audiences.

***Q11. Do you have any other comments about the proposed delivery model and consumer offer?***

We recognise that financial problems are inter-linked and that education is needed, particularly for the increasing problems imposed by longevity. Nonetheless, we have concerns that the amalgamation of pension guidance bodies into a more general model could dilute the effectiveness of the former.

## **About the Association of Consulting Actuaries (ACA)**

Members of the ACA provide advice to thousands of pension schemes, including most of the country's largest schemes. Members of the Association are all qualified actuaries and all actuarial advice given is subject to the Actuaries' Code. Advice given to clients is independent and impartial. ACA members include the scheme actuaries to schemes covering the majority of members of private sector defined benefit pension schemes.

The ACA is the representative body for UK consulting actuaries, whilst the Institute and Faculty of Actuaries is the professional body.

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