BSA Response to Public Financial Guidance Review: consultation on a single body

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Building Societies Association

Introduction

The Building Societies Association (BSA) represents all 44 UK building societies. Building societies have total assets of over £364 billion and, together with their subsidiaries, hold residential mortgages of over £282 billion, 21% of the total outstanding in the UK. They hold over £260 billion of retail deposits, accounting for 18% of all such deposits in the UK. Building societies account for around 32% of all cash ISA balances. They employ approximately 40,000 full and part-time staff and operate through approximately 1,550 branches.

This response has been prepared by the BSA in consultation with its members.

General Comments

We welcome the Government's revised proposals for one single body to provide public financial guidance as we believe this will be a far more effective and cost-efficient way than the proposal for both a money guidance body and pensions guidance body. Two bodies would have needed a far more complex structure to support them including two separate boards and the requirement for each to develop its own strategy to meet its statutory objectives

Currently firms refer consumers to the Money Advice Service in a variety of documents, website links and brochures. The early communication of precisely when the Money Advice Service will change over to a new body, particularly if it is decided that the body will be renamed, is key to minimising confusion for consumers as firms will need time to update their systems to reflect the change. It will also need to be made clear at the earliest possible stage who firms should be referring consumers to and how the process will work for consumers who are referred. In addition, we do question whether there is a need for any rebranding as this would be a costly exercise for the new body and industry and pointless if there is little discernible consumer benefit.

The BSA has long supported the underlying aims of the Money Advice Service (MAS) but we strongly believe that there is a need for all sectors to be engaged in supporting this guidance in a meaningful way.

We believe that funding for the service should be underpinned by a "polluter pays" structure, as those who benefit from the service is by no means limited to the financial services sector, but it is increasingly much broader than this and across many other sectors. Debt charities such as the Money Advice Trust, which is partially funded via the levy paid by financial services, heavily supports those who need help with other debts such as energy, telecom, water and council tax bills.

It seems pragmatic and fair that other sectors who benefit also share the burden and pay a proportionate contribution towards funding money and debt guidance. This may well have the added benefit of encouraging other sectors to improve their treatment of consumers who are in financial difficulty and allow for best practice to be shared and implemented across the various sectors. Such an approach would also mitigate the real potential that financial firms, presented with substantial compulsory debt advice costs, have to scale back their discretionary support for debt advice agencies such as Citizens Advice and the Money Advice Trust.

Given the delivery of public financial guidance as a whole is under review it seems timely and appropriate that the way in which this is funded is also reviewed. The proposals expand the scope and remit of the body tasked with providing UK consumers with public financial guidance, many sectors outside of financial services already benefit from referring their customers to the existing service, this will only increase further with the new structure. We therefore strongly advocate that all sectors with consumers who will benefit from using this service share in funding it. Demand for debt advice already exceeds supply, with existing providers under significant pressure. We believe everyone has a role to play in contributing and supporting this.

We agree with the values as set out in the consultation of the new body being consumer focused, value for money and sustainable.

Questions

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?

A significant amount of work has been done by industry in relation to vulnerable customers. We are part of the vulnerability taskforce and all lenders will have a vulnerability policy. Many customers can fall within the definition of vulnerable, this may be for a short amount of time or some are considered to permanently be vulnerable. To some extent all customers in financial difficulty could be considered vulnerable and firms will endeavour to support customers in a way which reflects their individual needs.

We recommend that the single financial guidance body (SFGB) takes into consideration the work already done in this area and seeks to understand how best to align itself and progress this area with industry.

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

Yes, we broadly agree these areas are the right areas for SFGB to cover. We are concerned however that there is a proposal for the body to deliver “some services directly”. The SFGB should not be delivering services without a full consultation with industry as there is a danger that the body could repeat mistakes of the past and duplicate work. This should be an explicit obligation for the body.

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?

It seems pragmatic for the SFGB to focus on priority groups, however there is insufficient detail in the consultation paper as to what exactly constitutes priority groups for us to provide a full answer.

We welcome the focus on provision of readily available debt advice for consumers.

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?

Yes, if the SFGB can take a strategic role, signposting to other organisations involved in the delivery of financial education and other capability initiatives then this would provide a great deal of value. Currently the BSA is compiling resources and 'How-to' guides with the aim of helping more building societies to become involved in providing financial education. We have found the most challenging aspect of this to be filtering through all the material that is already freely available. We can see that without the support of a trade body, or a dedicated and well-resourced corporate social responsibility department, then other firms would conceivably find it difficult to know where to start.

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

The BSA has engaged with the 'what works' fund at MAS on behalf of our members. Clearly we want to ensure that any financial education initiatives by building societies are effective. Therefore, we value the impact evaluation work provided by MAS, particularly around testing financial educational materials such as lesson plans, fact sheets and work sheets.

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

The SFGB should act as an intermediary between providers of financial education and schools, and an auditor of materials. Currently most building societies find schools in their local area to work with and build up a relationship independent of any central coordination. It may be that those schools that receive support and benefit from the financial expertise of building societies are not, in practice, those that need it most but rather those that are best at taking advantage of opportunities.

Therefore, the SFGB could receive expressions of interest from schools that want to work with third parties on financial education. The SFGB could then work with the schools to understand their needs and match them with third party providers. If this is seen as being too resource-intensive, then alternatively the SFGB could host a webpage with contact details for interested schools and make it easy for providers to establish a relationship.

In terms of its role as an auditor of materials, the BSA understands that this is a role already provided by MAS to some extent through the 'what works' fund. We think there is great benefit to having materials tested to ensure that they work effectively. Many third parties are willing to produce their own materials to use in teaching financial education in schools but may lack skills in impact evaluation to test whether those materials are effective. MAS could provide this service at cost-price to providers and signpost to materials which have been tested.

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

The channels proposed seem appropriate.

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

We agree that it can be challenging to engage consumers on financial matters particularly when they haven't recognised for themselves that they would benefit from financial guidance. An example of this is consumers who are pre-arrears but may be susceptible to financial shocks. This could be a borrower who hasn't yet missed a mortgage payment but has little disposable income, or no savings, or is on a variable rate mortgage or a combination of all three.

Supporting this type of borrower to be able to manage in the future when rates increase, or if they suffer a financial shock such as a large car repair bill is much easier before they miss a payment and before these events occur. It is however very difficult to engage this type of consumer early enough in a meaningful way, this will be an area of focus for the BSA this year. We believe that there needs to a cultural shift where consumers seek guidance much sooner and take a forward planning attitude with their finances, this is an area where the SFGB could assist.

We welcome the intention for SFGB to prevent crisis by educating consumers and helping them develop better financial behaviours, we would be happy to support the SFGB's work in this area.

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

We do not feel that the SFGB should have flexibility in the way funding is directed. If the role and responsibilities of the SFGB are correctly defined and funding ring fenced appropriately there should be no need for flexibility. As the consultation mentions, it is important that levy payers see how their contributions are benefiting their consumers, flexibility in the way funding is directed would make this difficult.

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

We do not have an opinion on this.

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

No comment.

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The Building Societies Association (BSA) is the voice of the UK's building societies and also represents a number of credit unions.

We fulfil two key roles. We provide our members with information to help them run their businesses. We also represent their interests to audiences including the Financial Conduct Authority, Prudential Regulation Authority and other regulators, the Government and Parliament, the Bank of England, the media and other opinion formers, and the general public.

Our members have total assets of over £345 billion, and account for approximately 20% of both the UK mortgage and savings markets