

SOME GOOD EXAMPLES OF CONSUMER PROTECTION*

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* This presentation expresses the views of the author and not necessarily the views of the IRSG.

DISCLOSURE - GREAT AS FAR AS IT GOES!

DISCLOSURE IS **NOT** A PANACEA!

- Financial capability in the UK is a key issue !
- *16% unable to identify available balance on bank statement!*
- *1 in 5 prefer £200 now than £400 in two months' time!*
- Consumers are **not** rational
- Trust and confidence in all financial services affected !
- *Access, affordability, inappropriate products, poor outcomes*
- Finance not always top of people's agendas
- Too much choice is confusing for many consumers
- But people can be **nudged** and motivated by right triggers - **lifetime opportunities and events**
- Consumer protection higher on UK agenda through aspects such as new regulator – Financial Conduct Authority, Pensions Auto-Enrolment, Money Advice Service, Simple Products Initiative and Aspirations to fill Advice Gap



MONEY ADVICE SERVICE

FREE, IMPARTIAL MONEY ADVICE IN THE UK –
BY PHONE, WEB, WEB CHAT OR FACE TO FACE!



- Takes account of behavioural economics and how people view finance and money!
- Looks at key lifetime events/opportunities!
- Aims to drive behaviour change and increase financial capability over time!
- Targets younger and lower income!
- Focuses on saving; managing debt better; preparing for retirement; protecting assets; coping with difficult issues such as illness, death; looking out for dependants!
- Focus on long term financial resilience

MONEY ADVICE SERVICE

WHEN IT COMES TO INSURANCE....

- Understanding what insurance is and how it works!
- How to buy; important features and what kind of cover is appropriate; how to make a claim!
- Covers home insurance, life and protection, income, car, travel, pet !
- Signposts to other helpful sources of information and product types



SIMPLE PRODUCTS

- Consumers need simple retail products that can be trusted, have straightforward outcomes and do what they say on the tin!
- Simple, transparent, easy to understand, with plain and consistent language (ref Article 9 for ESAs - simplicity, fairness and transparency)!
- Development of 4 products so far...all have high level principles!
- 3 savings, one fixed term life insurance!
- Recommendation should be whole of life insurance product and income replacement product... but not agreed on detail!
- All to be badged and accredited so consumers can trust that they will deliver!
- Not yet in operation

FILLING THE ADVICE GAP



- Cost of sales arguably too high for the middle market
- Dangers in DIY
- Bias in many current distribution/sales channels
- Need for simpler process that is not off-putting for consumers
- Argument for regulated decision type tree toolkit using new technology: system is regulated so can be operated by lower qualified staff
- Regulator, industry associations and individual companies considering feasibility!
- Not there yet, but hopeful some sort of simplified advice online system will emerge!