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Briefing Paper

Personal Financial Planning Advice: Barriers to Access

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With the move towards a society where more responsibility has been placed upon the individual to make financial provision for future events, comes the need for individuals to be able to interact with the financial services sector and make informed decisions regarding their financial choices. This was the subject of John Moss's PhD research which focused on the barriers that influence why and how consumers access advice from Regulated Financial Advisers (RFAs). RFAs are advisers regulated by the Financial Conduct Authority to provide advice regarding investments and pensions, which may also extend to life assurance, income protection, mortgages, equity release and long term care insurance. Advisers may be independent, where they offer products from the 'whole of market' or restricted, where the product provider choice is more limited. The research investigated the barriers to consumers accessing appropriate sources of regulated financial advice. It started as the Money Advice Service (MAS) was launched and whilst the research was being carried out, the Retail Distribution Review (RDR) was implemented. Both these policy initiatives were designed to help improve consumer engagement with financial services.

The research used a mixed methods approach, surveying 201 consumers and then interviewing, in depth, 21 of the consumers from the middle income quartiles to explore further the emergent themes from the survey. The research also involved interviews with 8 regulated financial advisers. The study identified three key factors that affect the consumer's ability to access regulated financial advice;

- Knowledge
- Trust
- Affordability and Cost

The first factor, knowledge, can be divided in to three sub-themes, with the first of these being '*knowledge of need'*. This concerns consumers' understandings of the financial risks they face. The baseline survey (FSA, 2006) had highlighted low financial capability, particularly with respect to planning ahead and from this research it was clear that many interviewees had simply never considered how they would cope if these risks came to fruition. The second knowledge sub-theme was *'knowledge of available services'*. This concerns how much the consumers know about the services advisers offer and how these services may help them to identify and address needs and potential risks. In part the current regulatory regime, where advice relating to different product areas is regulated under different layers of the advice regime, resulting in different advisers, on occasions, having different regulatory 'permissions', is confusing for the consumer. This in itself may sometimes lead to mistrust when advice processes are interpreted as a 'sales agenda'. The third sub-theme was the consumer's ability to *'find an adviser'*. Although, it appeared that often when consumers needed the services of an adviser they managed to find one, it was the way they did this that incorporated some inherent risks. Personal referral was the most common method.

The second key factor identified by this research was trust. This highlighted the differences between the concepts of 'general trust' and 'individual trust', suggesting that consumers are keen for advice to be regulated so they had some form of protection against an industry they did not generally trust (general trust). However, individual trust in the advisers the interviewees had used was generally high, although this raised the question of how they made the decision to trust a particular adviser. It appears that often consumers establish trust based on whether they like the adviser rather than attempting to apply some form of critical trust to judge the adviser's skills. As it is common practice to find an adviser by referral, where there appears to be a 'transference of trust' from the introducer, it raises the question as to whether this trust heuristic is always a benefit to consumers.

Finally, affordability/cost was an important factor. Within this there are sub-themes that consider affordability, willingness to pay for advice (a significant factor given the changes resulting from the RDR) and the consumer's appreciation of the value of advice. This highlighted the point that the regulated sector may no longer be able to serve the mass-market and that a simplified service may be required to fill this gap.

This research has highlighted that advice is still considered by most as the route to a product rather than a means of identifying and addressing risks. If the latter were considered as the 'subjective norm' then use of advice may be more widespread. Part of the solution to this problem could be that a higher profile is required for the MAS which as both an independent signposting and generic advice service can complement the regulated advice sector whilst retaining its focus on having consumers' interests at heart. Unfortunately, to date, MAS has not managed via its ‘financial health-check’ to motivate consumers to address the higher level risks and needs associated with planning for the future.

Finally, this research asks the question as to whether the consumer is often overwhelmed by the extent of the provision they are required to make to shape their financial future. It therefore begs the question as to whether the degree to which the welfare state has already been rolled back has resulted in financial planning issues beyond the capabilities of most consumers.

FSA (2006) *Levels of Financial Capability in UK: results of a baseline survey.* Prepared for the FSA by the Personal Finance Research Centre. University of Bristol.