

# PMI – Pensions Aspects Live Conference

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Keynote: The role of the Money and Pensions Service in supporting customers in personal finance – Sir Hector Sants (Chair, Single Financial Guidance Body)

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First of all, before I start, can I say how pleased I am to be invited as your speaker today?

Many Single Financial Guidance Body staff are PMI members. Some are examiners and a few even write the exams: so, I have heard first-hand about the good work that PMI does to ensure the pensions profession is well trained and has the skills to respond to the changing pensions world. We will continue to work with you to ensure our people have the right skills to deliver great guidance.

My speech today is about financial wellbeing and the new Single Financial Guidance Body, but I would like to preface it with a couple of points of information.

Firstly, although it has been announced that, subject to parliamentary approval, the new name of the Single Financial Guidance Body will be the “Money and Pensions Service” in deference to the process in this speech I will continue to refer to the organisation as ‘the SFGB’.

Secondly, as the SFGB is in the process of establishing its strategy – as you will hear – my remarks should technically be seen as my personal views.

My starting point is that financial wellbeing matters. It is important because it is central to personal wellbeing and thus to living a contented life. Furthermore, it is clear our state of financial wellbeing is not as good as it could be. Three facts to illustrate this:

- There are 52 m adults in this country;
- of which 9m are in problem debt; and
- 11m do not even have £100 in savings.

Even more concerning, in my view, is the fact that 47% of adults (24.3m) do not feel confident making decisions about financial products and services.

I think this situation should cause the industry to reflect. It is telling you that almost half of your potential customers associate your product with anxiety. I would suggest that should be a matter of concern.

### How can we help?

The SFGB is at the heart of the challenge of improving financial wellbeing.

Our parliamentary mandate means we have a clear vision:

**“A society where everyone makes the most of their money and pensions.”**

When we were thinking about our vision we wanted to highlight the vital role of pensions in improving financial wellbeing for the British public.

The research we have conducted, has made clear the public see pensions as something separate to other money issues. It was important that our vision statement explicitly recognizes this reality.

If everyone were to truly make the most of their money and pensions, it would not just transform the state of the nation's financial wellbeing, but our overall level of wellbeing. Of course, it is not a complete solution to financial wellbeing – as those who just do not have enough will struggle even if they are financially capable – but achieving the vision of the SFGB would still in itself be a significant step forward.

The vision may be clear, but we have much work to do to be sure of the best way forward or, in formal terms, to articulate a clear achievable strategy.

From my perspective, we already have an understanding of the high-level objectives for the next five years, namely:

To “Raise awareness” - of the importance of financial wellbeing through:

- Establishing the importance of financial wellbeing as a top priority for policy makers; and
- raising its awareness in society to a level comparable to that of mental and physical health.

To significantly increase capacity for remediating financial distress – “help the vulnerable” – through:

- Ensuring all those who need guidance on retirement planning receive it;

- ensuring all those who are in problem debt can access free debt advice; and
- working to ensure that we help those individuals where financial distress impacts their mental and physical health.

To “establish a credible National Strategy” to achieve our vision of a society where everyone makes the most of their money and pensions

Achieving the vision will require individuals to:

- be financially educated, and
- be equipped with the necessary tools, guidance and advice, and
- have access to the necessary services; which should be both affordable and ethical, **and**
- have the right behavioral attitude to money.

The last point is crucial to achieving the Strategy. Currently the issue of shame about problem debt and poor financial decision making, and the lack of individuals willingness to engage with money matters, are significant barriers to progress. It is essential society confronts the issue of financial shame if we are to progress.

This is part of a wider point I would like to make. As part of our strategic considerations the SFGB will give thought to the degree to which it should drive behavioral change. Traditionally, money issues are engaged with only when events require it, for example, when individuals lose their jobs, suffer ill health or more positively get married or have children. Financial

wellbeing would benefit from the consideration of money matters moving from being transactional - event driven - to an everyday consideration (something we intuitively think about). We need to consider the degree to which we can, and should try, to drive that change.

Our final objective is an internal one - “establish an efficient, sustainable and respected organisation”.

I think this is self-evident, so I will not dwell on it today.

If our high-level goals are clear what are our next steps?

The current challenge is to articulate a medium-term strategy. To that end, from next week we will be launching a “listening exercise”: engaging with stakeholders across the country to examine the issues which are important – followed by the publication of our conclusions in Autumn of 2019.

In essence therefore, we see 2019/20 as a set-up and listening year – a transitional year – with 2020/21 being our first year based on our own strategy.

Our autumn publication will have two components:

Firstly,

A national strategy to create the building blocks to deliver a financially capable nation. This is a long-term endeavor and its success will depend on the active support of all.

and, secondly,

A three-year SFGB business plan – setting out the specific activities and goals for which the SFGB will be directly accountable.

The focus for the SFGB is thus twofold:

- To create and lead the delivery of the national strategy; and
- To deliver either directly or via commissioning help, principally to the most vulnerable - (for example: those in debt or those facing key financial decisions with regards to retirement and pensions.)

We should not forget, however, that in money matters everyone is potentially vulnerable.

Thus, the SFGB will also seek to ensure we are all equipped to make good decisions.

We will, however, only succeed in partnership with industry. This takes me to my second and principal point: **what can you, the Pensions Industry do to help deliver our vision?**

The theme for me which underlines this question is one of partnership: to address the challenges of improving customer outcomes we must work together. Specifically, I think there are four areas where we should focus and drive change.

Firstly, the financial service industry as a whole should increase its emphasis on prevention - financial capability. At a strategic level, it

should shift the balance of engagement from remediation to prevention. The industry, as a whole, spends millions on a mix of regulatory fees, direct internal controls and compliance; let alone, the billions spent on redress.

Yet the expenditure on prevention – equipping individuals to be empowered – is at best a few hundred million. I would suggest that's not the most effective use of our resources. A switch in the balance, in my view, will give better outcomes for consumers and reduce risk for financial service providers. I appreciate that most of this expenditure is incurred by providers of personal financial services – notably banks, rather than the pensions industry – but I think the overall point remains the valid.

Secondly, I believe we should work together to restore trust in the industry. Of course, the industry's service must justify it, but the industry should also expect the rest of us involved to help change the tone of public discourse. I think to achieve this goal requires a further change in the way financial institutions view their customers.

It is not enough to say you are putting the customer first. I think the industry needs to put the individual, as a person – their wellbeing – at the center of corporate purpose.

A firm's interaction with society should have the goal of improving the financial wellbeing of individuals rather than selling them a product, even if it is meeting a legitimate need. This requires industry to see the world through the eyes of that specific person; with their individual vulnerabilities and anxieties. As I mentioned before, it is important to recognise we are all potentially vulnerable at some point in our lives.

Fears and anxiety in money matters can be significantly diminished if the individual feels in control - empowered. Confident.

Improving financial guidance for the retirement journey isn't just about boosting people's knowledge about pensions. It also means financial confidence. We must help build the confidence of UK consumers to engage with the pensions industry and hopefully in the long run, to help them take ownership of their long-term savings.

This requires the individual to own his or her personal information and have a system which is suitably responsive to their actions. Modern technology allows such empowerment. The Pensions Dashboard will be a key empowerment driver in your area, and I encourage you to support its implementation.

Thirdly, I believe we at the SFGB need to work with industry to create more of a seamless handover between us and you. Our role is to work with you to create an empowered, informed individual. So that if they wish to transact the dialogue between you both is of a high quality and as constructive as possible.

Finally, I think we need to work together to widen the ecosystem involved in this endeavor. We need to ensure that every touch point which could trigger a financial conversation, does so. In particular, I think financial services and employers need to work together more closely.

This is particularly relevant to pension matters: because small pensions changes are a huge part of changing savings culture, as auto-enrollment has recently shown.

Effective guidance and advice must be flexible enough to consider savers' wider circumstances – such as lifestyle, debt and wider non-pension assets – and remove some of the barriers which prevent consumers from seeking help when they need it. Effective help in finance needs to see people as individuals not consumers. This is our collective challenge.

In summary the key messages I would like to leave with you are:

- Financial wellbeing really matters;
- and achieving our goal of a society where everyone makes the most of their money and pensions will significantly improve the state of society;
- but achieving this vision requires us all to work together. The first step will be to work together to create a new national strategy which places the individual at its centre.

Thank you.

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