

capability in the crosshairs

As the roll-out of a national money guidance service, to be delivered by a new Consumer Financial Education Body, was announced in the Queen's Speech, Financial Capability is gathering pace. But as the following pages show, there are still many thorns to be grasped. CASPIAN WOODS reports from the Forum's event on 11th November where practitioners across the industry gathered to air their challenges.

Does Capability make a difference? A good starting point, and one where Chris Pond has the benefit of research. "We found when people feel financially 'in control', they report a 15% decrease in anxiety and depression." He confesses to having sent his researchers to check their sums when they showed that even the small move to 'average' capability was equated to a £500 increase in monthly salary.

Listening to the plans, for many in the audience there was a sense of 'back to the future'. Does this herald a return of the 'man from the Pru' and friendly societies?

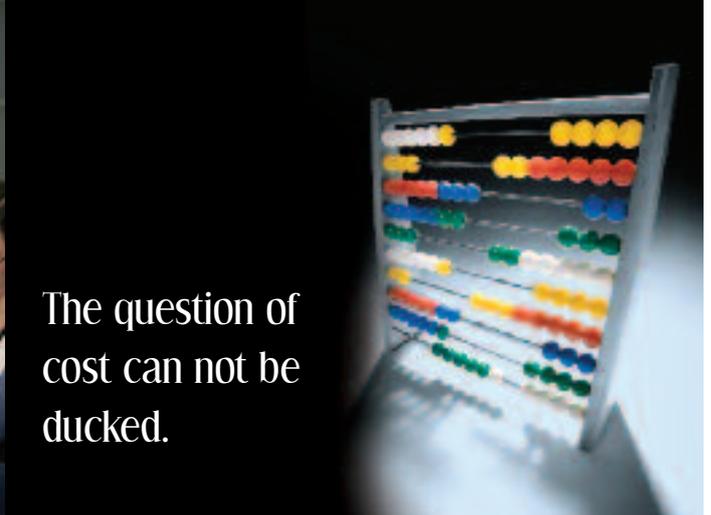
In Pond's experience it's important that regulated advisers go out to where customers don't feel threatened, "and that's probably not the office". From her work with the disadvantaged, Faith Reynolds highlights the trust bond: "in debt meetings, clients ask not to have Home Collected Credit included in consolidation agreements as they don't want to let down Dave, the adviser who comes round their house." Clive Cowdery concedes: "we have lost something we shouldn't have. OK, it was expensive and inefficient, but it was a valued social role."

But is such investment realistically going to happen in today's environment?

"There's an access gap," highlights Francis McGee of Aegon. "The RDR is good at quality of advice, but not quantity. There would need to be a lot more work before industry contemplates investing." For him, "face to face is costed out of the industry's reach. And the regulators are more risk averse at the moment."

Cowdery highlights a deeper problem: "There is an unequal power bargain, and that's where oppression starts in society. Game theory dictates that if you have three partners in any relationship, two parties will always gang up against the third – the customer." His answer? "Push the customer direct to the manufacturer."

Participants were keen to look to other sectors for lessons. While Pond sees a stronger role for the Post Office and Credit Unions, he goes further: "My dad was a milkman. It was an expensive and inefficient service, but people valued it. Or take John Lewis' Ocado delivery service. It has an explicit 15 mins built into every delivery to help unpack, or get the cat from the tree."



But however delivered, the question of cost cannot be ducked. In these straightened times, is it right to ask where the bottom line is to be found in FC investment? Cowdery is blunt. “If we don’t get our house in order, the life industry faces macro regulation and quasi-nationalisation on the Australian scale.” Even as an avowed advocate of marketing, he sees the pay-off as a

‘safety valve’ for the confusion arising from the £1.3bn spent in advertising products. McGee goes further: “on top of this is £5bn annual commissions; a significant proportion is for finding customers. If the scheme takes away some of this ‘finding’, it should be funded.” To this John Prout of NS&I adds a simple profit motive: “it’s also about

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persistency. The better we sell to need, the longer the customers stay.”

Fittingly for a marketing forum, delegates considered the role their communications have played. From his time at the Pru, Prout recalls a powerful story: “The salesman turned up at the customer’s house with the agreed policy. But before handing it over, he put it in an envelope and made the customer write on the back why he’d bought it. He wrote: ‘To pay for my daughter’s education’. That symbolism is very important. We don’t write back to people today about why they are investing.”

But isn’t finance fundamentally boring for customers? “I don’t believe it,” counters McGee. “It’s the way we talk about it that’s boring. As a customer said in feedback, ‘you open your mouth and out comes German Medieval literature.’”

But if the consensus is that FC is not a ‘brochure service’, it’s a substantial challenge to build empowerment while budgets are being slashed.

“It worked with the campaign to stop smoking,” McGee observes. “The secret is to find a motivational trigger.” Concerned with our culture of instant gratification, Reynolds thinks this might come “when we see our parents struggle in retirement”. Cowdery agrees: “There are two basic motivations: greed and fear. For this to work, the pivotal role is fear.”

But the concern is that this fear does not fall equally. The 14m working Britons earning £15k a year are potentially one pay-cheque away from a precipice, he highlights. “In this environment, it’s vital there is a service the moment fear crystallises into action. We mustn’t just pass them on.”

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