

# IMPRESSIONS

Consumer Finance Newsletter

## Heart of the matter

Financial  
Education



Penrose Financial Spring 2010

Penrose's  
**Leone Ward**  
investigating  
Money Guidance  
**Page 10**



Sbn Financial's  
**Dan Farrow**  
on The Evolution  
of Advice  
**Page 8**



### Plus ...

- Demos on the importance of macro-economic understanding
- Mutual One's Karen Alexander on Financial Education in Schools
- Are you managing your marketing strategy efficiently? - Try our quiz!



## PENROSE VIEW

# Putting the **consumer** at the heart of **finance**



## Welcome to the 2010 Penrose consumer



**Leone Ward,**  
Associate Director,  
Consumer Finance,  
Penrose Financial

With 2009 behind us, we are already seeing companies concentrating on rebuilding consumer confidence in the financial services sector. 2010 has started on a positive note and we are hopeful that news such as the expansion of Virgin's services with a banking license will give a welcome boost to the sector, bringing much needed competition and value to the consumer.

Despite, or more likely as a result of, ongoing market uncertainty, we are continuing to see a growing demand for expertise in targeting the consumer at all levels, enabling Penrose Financial to use our financial services market knowledge to compete for business which has traditionally found a home with pure consumer PR agencies.

Recent issues such as the credit crunch, debt, savings, pensions and the property market (you name it!) have leapt up from their traditional home in the business and money pages to front page news, leaving us PRs with more interesting opportunities and the ability to influence the mainstream news agenda.

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## finance newsletter

One of the themes that will resonate this year, and something the team feels very strongly about, is financial education and this edition looks at some of the issues surrounding this important debate. We are very grateful to our contributors who have added their thoughts into the mix. We feature an interesting piece on economic literacy which is not traditionally included under the banner of financial education but should be; a piece on how the Retail Distribution Review is going to change the role of advice as we see it now; and a case study showing how some companies, ahead of the 2011 change in the National Curriculum to include financial education, are already on the front foot.

We would welcome any feedback you have on these issues at [consumerfin@penrose.co.uk](mailto:consumerfin@penrose.co.uk) or follow us on Twitter at [twitter.com/consfin\\_penrose](https://twitter.com/consfin_penrose)

## So what now for comparison sites?

Discussions around establishing a self regulatory body to ensure comparison sites have a common set of standards have collapsed yet again. Last June, against a background of consumer mistrust in the industry due in part to the disparity in the way prices are displayed online, the Comparison Consortium was launched, much to the interest and congratulation of the media. Sadly, for what many sceptics believe was commercial interest obstructing the way of this noble body, this plan has been abandoned.

The Queen's Speech announcing a new consumer education/information body was confirmed in the Pre-Budget report in November. We could perhaps assume that the provision of comparative information will be something that may be an early issue for the new body. Currently the FSA spends a good deal of time on its own independent comparative tables for its Moneymadeclar website. This new consumer education body, which will spin off from the FSA, may decide it would be in everyone's interest to use a ready-made source from a comparison site for example. This is a perfect opportunity for those comparative sites that truly are transparent and working to the good of the consumer and perhaps an ideal time to restart talks on a new self regulatory body again.



# Ecoliteracy

By Jen Lexmond and Claudia Wood, Demos

Our writers explore the importance of macro economic literacy and discuss the 2010 initiative to promote a broader understanding of the economy in the UK

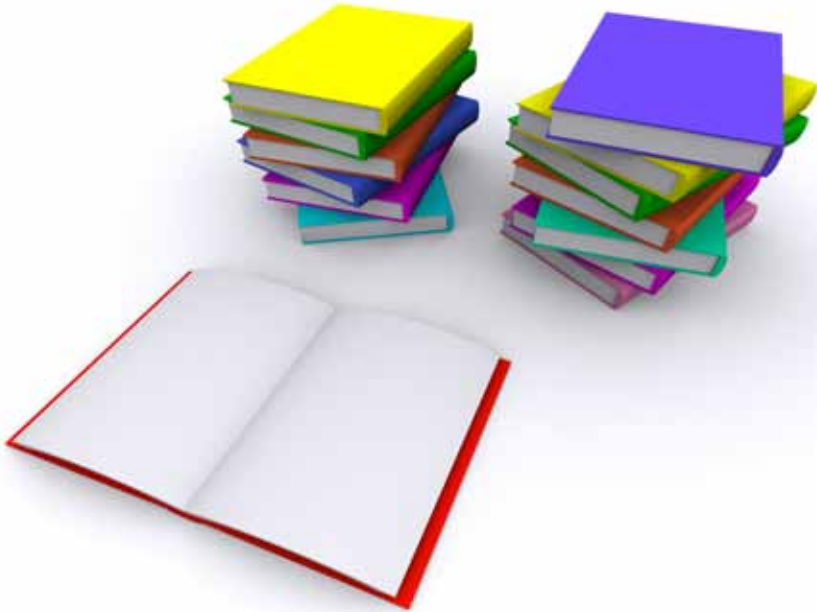
Bill Clinton was voted in to the highest political office in the world with the slogan 'It's the economy, stupid'. Eighteen years later the economy is once more the electoral issue of the day, with both Labour and the Tories basing their election campaigns on how they'll handle the public debt; but it's not simply the 'stupid' who would struggle to really understand the ins-and-outs of our complex and tarnished economic system. How can we respond to the parties' different messages – slash and burn from Conservatives, spending our way out for Labour and the Lib Dems – if we don't really 'get' what either strategy would mean? This is the issue at the centre of Demos' new project, Economic Literacy, which explores how our understanding of economic and financial decisions impacts our role as citizens and our ability to hold government to account for what they do with our money.

There have been significant attempts, particularly in the last five years, to render people more "financially capable" or "financially included". One of the four objectives of the FSA is to promote public understanding of the financial system, and they, alongside organisations such as Pfeg, the Financial Inclusion Taskforce and the Basic Skills Agency, are doing much to help children and adults alike make the most of their savings, deal with personal debt, and understand the difference between an APR and AER.

But these are micro issues. The macro picture, whilst occupying the media now more than ever, remains elusive to the majority. Who really understands the drivers and implications of this recession? Who grasps toxic debt and under-capitalisation? This lack of broader knowledge means too often the economy is experienced as something that happens to us, rather than something we are actively involved in.

The truth is that we are not simply flotsam in the seas of the economy. Our actions – as workers, consumers, savers and investors – are the micro-engines of economic activity. If we stop spending, retailers fall. If we stop saving, capital dries up. If we stop working, businesses fail. If we anxiously withdraw our cash from a bank in peril, we kill it. The economy is a creature shaped by our collective hands, but it is this link between our micro-decisions, such a focus of government education programmes, and the macro-picture, which eludes the public consciousness.

The vital importance of strengthening this link will drive the Economic literacy project in 2010. It will probe the lack of wider macro-economic understanding of even some of the more financially capable in society, and explore how to build a deeper knowledge of our role in the economy and a richer sense of "economic citizenship".



To kick off the project, Demos wants to see what would happen if everyday citizens were asked to consider a major economic problem – public debt – with help from experts to guide and inform their deliberations. What solution would they come up with? So in the new year Demos will convene a “citizens’ jury”, made up of a representative sample of the public, and task them with developing their own solution to public debt. They will take into consideration how it will affect not only their personal finances, but also the delivery of state services, jobs, and other groups in society – tasking them to consider the macro implications of decisions which might benefit them personally.



**Jen Lexmond,**  
Senior Researcher, Demos

This is just the first step in a wide array of initiatives Demos will be conducting and although educating the public on the economy is a project of a very large scale, even a little understanding of Economic Literacy will benefit us all.

Demos is a London-based think tank.



**Claudia Wood,**  
Associate, Demos

# Financial education in schools

By Karen Alexander, Mutual One

With financial education increasingly on the Government's radar we look at how one company has moved ahead, setting an example for others to follow

To help prepare teachers and students for the introduction of statutory personal finance education as part of the wider personal, social, health and economic education (PSHE education) in 2011, Mutual One along with four building societies (Ipswich, Loughborough, Saffron and Teachers) have developed some personal finance education tools and are working with other financial services' providers to distribute these to schools in their area.

Like most organisations, we take our social responsibility very seriously and want to help the future workers in our communities equip themselves better for the complex world of finance. These days, too many people get themselves into debt very early in life and spend several years trying to keep up with life's constant demands on their cash. If we want to prepare students for the financial complexities of modern life and get into some of the better financial habits, such as saving regularly, something has to be done and this initiative has helped provide schools with resources to achieve that.

To make the lessons more appealing to students, a series of 15 podcast modules, known as 'Cashcasts', have been developed which students can download onto their iPod or media player from the internet. The Cashcasts, which last between 5 – 12 minutes, contain information on personal finance topics relevant to the everyday lives of young people,

### Cashcasts include:

- Managing Money
- Budgeting
- Mobile Phones:
  - Why have one?
  - Who are the providers?
  - Payment types
- Why have a Bank Account?
- Opening a Bank Account
- Overdrafts
- Credit & Debit Cards
- Pre-paid & Store Cards
- Personal & Data Security
- Loans (secured & unsecured)
- Hire Purchase
- Mortgages

principally in the age range 14 – 18 years.

The Cashcasts, and the accompanying resource workbook, are designed to be used during lessons on personal finance and are complementary to work students will undertake to meet Keystage 4 of the National Curriculum on Personal



Finance. Overall these will give students more information on the terms used about finance on a daily basis and help them to learn to budget, be sensible with their money and not get into debt in the future.

Mutual One is further developing the Cashcasts and resource workbook and currently expects to have them accredited with the Personal Finance Education Group quality mark within the next few weeks, making the Cashcasts the only approved podcasts on financial literacy in the UK.

Any organisation can take part in this initiative; the Cashcasts are a great example of good corporate social responsibility and represent a great opportunity to provide innovative delivery of personal finance education in their area, along with, of course, providing excellent public relations' opportunities.



**Karen Alexander,**  
Business Support Manager,  
Mutual One

## Feedback

Students who have used the Cashcasts have given positive feedback and Andy Puttock, Headteacher at Queen Elizabeth's School, Wimborne, is delighted with the impact the initiative has already made in the school:

"Thanks to the support of the Teachers Building Society, we are making a real difference to our students' financial education. We have long been committed to providing students with the best possible preparation for their future economic well-being, which is becoming more and more important by the day, and this new resource is a fantastic addition to the teachers' toolkit."

If you would like to know more about Cashcasts or to take part in this initiative, please contact Karen Alexander on 0116 289 4090 or email [karen.alexander@mutual-one.co.uk](mailto:karen.alexander@mutual-one.co.uk)

Mutual One is a joint venture between eight building societies to help smaller mutuals benefit from pooling their resources to gain greater efficiencies and improved purchasing power.

# The evolution of advice

By Dan Farrow, Sbn Financial

The Retail Distribution Review aims to restore confidence in the retail investment market, but does it just complicate matters and leave a gap for those that cannot afford advice?

Imagine an industry that is fundamental to the future prosperity of the population. Its actions can, at the extreme, change the shape of how the economy works, but unfortunately it's one where the front line staff have no more respect than a second-hand car dealer.

The personal finance services industry is dominated by the banks and a huge number of small companies or individuals, who go under the name of 'Independent Financial Advisers' or IFAs.

There are some important features that dictate the make-up of the IFA market, predominantly the average age of an adviser (around 57), background (usually "sales") and financial education, which up until recently, was three exams, two of which were multiple choice.

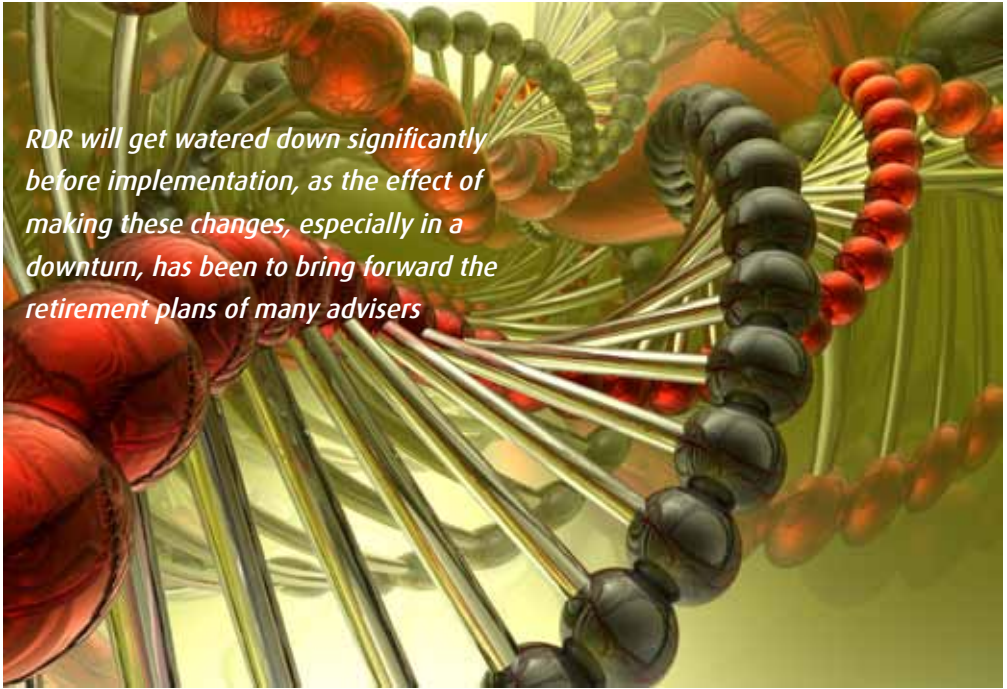
It is, therefore, no surprise that what dominates the view of the industry is that of sharp-suited sales people, peddling high commission products to financially illiterate consumers who after a few years can make a compensation claim for mis-selling. This time lag allows the FSA a few years to understand what was sold, form an opinion and then cause more distrust by publicly rubbishing the industry, as what happened with personal pensions and endowment claims.

Just before you think that there is no one that you or your children can ever trust to give you advice, think again. The FSA have decided to address some fundamental problems in the industry through an initiative called the 'Retail Distribution Review' or RDR.

The RDR, or elements of it, are still in consultation, but its main aims are to restore confidence in the industry and to 'up the standards' of those who give financial advice to consumers.

A fundamental issue at the heart of the review is how the industry gets paid for advice and how this translates into what the client receives in terms of an on-going service. This is where things get tough as firms will need to change business models and start charging fees, like an accountant or solicitor.

There will, of course, be a middle ground which the FSA is calling 'restricted advice'. It differs from independent advice in that it is not a fee-based service but instead can be offered by advisers selling one company's products or guided sales of Government approved products. This will probably be dominated by the high street banks where the customer experience will be no different from what happens today. It may be a little more transparent, where there is a standard



*RDR will get watered down significantly before implementation, as the effect of making these changes, especially in a downturn, has been to bring forward the retirement plans of many advisers*

menu of fees and the impact of these are stated on a product illustration. However, like today and in blind faith, it will then be signed off by the client, who will remain blissfully unaware of what has been transacted.

It is my view that the RDR will get watered down significantly before implementation, as one of the effects of making these changes, especially in a downturn, has been to bring forward the retirement plans of many advisers. This is obviously great news for those remaining financial advisers who are not salesmen.

There is an argument that states "it is better to have mediocre advice than no advice"; the logic of which I can understand, but not accept. Frighteningly, and more realistically, I can see a widening gap between the wealthy, who can afford pure, non-product driven advice and those who will either get nothing, apart from the Government's Money Guidance initiative which is still to be rolled out and is limited, or put their trust in the banks and we all know what happens when we do that, don't we.



**Dan Farrow,**  
Director and Independent  
Financial Adviser, Sbn Financial

## What is RDR?

RDR stands for The Retail Distribution Review which was launched in June 2006 to address the many problems within the retail investment market. The review was prompted as a result of insufficient consumer trust and confidence in the products and services supplied by the market.

In launching the RDR, the FSA decided to go beyond simply treating the symptoms of these problems and sought to address the root causes.

RDR aims to modernise the industry, giving more consumers confidence and trust in the market at a time when they need more help and advice with their retirement and savings planning.

There are several consultations as part of RDR. The FSA is currently reviewing a paper on 'Delivering the Retail Distribution Review: Professionalism; Corporate pensions; and Applicability of RDR proposals to pure protection advice'. RDR aims to be effective from 2012.

## PENROSE DETECTIVE

# Money guidance needs fine tuning

Leone Ward investigates ...

I am all for the Government's Money Guidance initiative and believe that the theory behind the service, voiced by Otto Thoresen, Group Chief Executive, AEGON UK and a member of the Financial Services Advisory Board, is a much needed and valued contribution to addressing the lack of financial literacy across the UK. Bearing in mind that it is still in its infancy and has only existed in its pilot format since last Spring, I decided to test run the scheme.

### Customer service

I was a little surprised that on calling the Money Guidance service I was told that I would be called back within 72 hours. In Money Guidance's defence, few financial matters (apart from debt) are so urgent that they need to be tackled within three days. But I couldn't help thinking that either Money Guidance is already a hugely popular service and has been deluged by calls or, more likely, that they just don't have enough staff.

### Comparing mortgages

As it so happens I was called back sooner than expected. I took the opportunity to ask whether it was worth paying a penalty to re-mortgage with another provider before the end of my two year fixed rate deal. Quite rightly, the woman I spoke to said that she could not advise me on this, but she was able to detail the options available.

She started off looking at variable and fixed rates and was good at explaining the difference between the two. However, the service fell down once she began to look at some of the comparison tables comparing mortgages on offer, supplied by the FSA's Moneymadeclar website. There were clearly some technical glitches and my questions regarding the headline rates had to be deferred - yet again I was promised a call back.

On the return call the representative could not tell me whether the tracker mortgage rates they quoted included the base rate or were actually the percentage over and above the base rate (this was, and is, much clearer online). I was then called back a third time to confirm that they did, indeed, include the base rate. At this point I decided not to bring up my original question about whether it made sense for me to move mortgage or not before the end of my tied-in period and swiftly moved on.

### Comparing savings rates

Savings wasn't a good choice of next topic. When I asked about instant access savings accounts, the customer service representative I spoke to reeled off a list of recommendations which weren't instant access at all. My frustration grew when I started asking about Individual Savings Accounts, and whether my cash ISA could be transferred into my stocks

and shares ISA or the other way around. Again, my question couldn't be answered.

## Benefits and budgeting

On a more positive note, the service came into its own during a discussion on benefits. The representative in question was very knowledgeable despite my thorough questioning regarding sick pay and pensions. Again, when it came to budgeting, and on a separate call I made on this issue, I found the representative helpful and well informed. My only criticism was that when taken through a monthly budgeting plan there were no questions about spend on clothes and toiletries (surely a necessity for any self respecting lady!) Regardless, as we moved onto the amount I was saving every month (not enough), and in contrast to my initial conversations, I received some good information regarding ISA rates in comparison to fixed rate bonds.

## Verdict

It is worth noting that the Money Guidance initiative is still in its infancy and perhaps I was expecting too much too soon. Every new scheme will have teething problems and the senior manager was certainly very keen to hear my feedback, criticisms and suggestions.

Money Guidance may feel that the service is aimed at those who have a very basic understanding of financial products. But, it is my understanding that Otto Thoresen intended the service to be one that could be used universally and should be able to help people across the board.

In its current format the Money Guidance service is somewhat lacking. The staff should have more training, technical glitches on the website need to be resolved and the Government must recognise that it still leaves a gap for those who can't afford to pay for advice.

# What is Money Guidance?

The pathfinder Money Guidance service, provided by the FSA through its MoneyMadedeclear website and delivery partners such as the Citizens Advice Bureau, aims to give free, in-depth support, tailored to individuals' circumstances and needs, on a whole range of money matters including:

- Budgeting weekly or monthly spending
- Saving and borrowing
- Protecting and insuring the individual and the family
- Retirement planning
- Better understanding of tax and welfare benefits
- Translating technical financial language - 'jargon busting'

The service aims to help people feel confident, informed and able to make financial decisions that are right for them by giving information about their options and personalised guidance. It differs from regulated financial advice in that it will not make recommendations for particular financial products or services.

Money Guidance (MoneyMadedeclear service) is available through the FSA's website, over the phone or face to face.

Website: [www.moneymadedeclear.fsa.gov.uk](http://www.moneymadedeclear.fsa.gov.uk)

Customer service	7/10
Comparing savings rates	4/10
Benefits	8/10
Budgeting	7/10
Comparing mortgages	4/10
Verdict overall	6/10



**Kevin Duncan** is a consultant for Penrose Financial and author of many books on how to be more effective in business. His latest book is out now, *Small Business Survival*.

## CUSTOMER EDUCATION

### HOW DOES YOUR COMPANY FARE?

Financial firms should be adapting their strategy and marketing messages to educate their customers, not bamboozle them. See how your company does with our quick quiz. Although some of the answers may appear obvious you would be surprised how many people make the same mistakes over and over again!

#### QUESTIONS

**1. Your strategy is the same as last year. Do you:**

- a. Ignore it. It always is
- b. Change it for the sake of it
- c. Think carefully and do something that really helps your customers

**2. Your customers have trouble understanding what your products do. Do you:**

- a. Keep managing the problem by trying to explain them over and over again
- b. Set up a helpline
- c. Radically overhaul how you describe them

**3. Your technical people determine what the products are. Do you:**

- a. Refuse to accept it and ask customers what they want
- b. Accept it – there's nothing you can do
- c. Take what they offer and wrap it in confusing language in the hope that people won't notice

**4. You have the same range of products as last year. Do you:**

- a. Grin and bear it. No one will notice
- b. Rip up the range and start again
- c. Shrug your shoulders and do something else

**5. You have a daft company name. Do you:**

- a. Soldier on and live with it
- b. Use it as little as possible out of embarrassment
- c. Change it for something better

**6. Your products are the same as your competitors. Do you:**

- a. Create something more distinctive than them
- b. Pretend they are different by presenting them differently
- c. Ignore it

**7. Sales don't look healthy. Do you:**

- a. Try to sell more of your most profitable products
- b. Work out why customers aren't buying and create something they like better
- c. Cut costs and retreat into your shell

- ANSWERS**
1. c. You can't just plough on whilst flying in the face of what customers want. Devise a strategy that starts with your customers, not the products you happen to produce
  2. c. Plain English can overcome most problems. Stop using the old company language. Start using normal everyday language and if necessary bring in experts to explain what your products do and do not do
  3. a. Companies who generate what they want, rather than what customers want, do not have satisfied customers and usually have a low market share. Just because a product works for your technical people does not mean it works for the consumer
  4. b. It isn't good enough. Design your products around your customers, not around the company. Better to pause and emerge with something genuinely appealing than labour on with the same old stuff
  5. c. There's no point in flogging a dead horse. Markets are difficult enough without having a bland or confusing name
  6. a. Different is better. If you only offer what everyone else does then it won't be a surprise if you have a modest market share. Strive for something original and intelligible
  7. b. If you listen carefully and respond appropriately, sales will rise. If you stumble on regardless, nothing much will change