

Response to CP21/13 Consumer Duty final

1) Introduction

I am a director of United Kingdom Shareholders' Association (UKSA). UKSA has responded to this consultation and I was a member of the response team. However this response is my own, covering a fundamental issue of the approach to regulation that did not fit easily alongside other important points we needed to make. It is an answer to Q11: *What are your views on the extent to which these proposals, as a whole, would advance the FCA's consumer protection and competition objectives?*

Some of the same points were previously made in my response to CP 21/11 'The Stronger Nudge ti Pensions Guidance'.

UKSA's website <https://www.uksa.org.uk/>

UKSA's financial guidance website <https://honestmoneynow.co.uk/>

Nothing in this response should be taken as a criticism of those who work in the various government-sponsored financial guidance agencies. The problems lie in the statutory and political structure within which they operate.

2) Summary

I am in general agreement with what the paper says. But I am concerned with what it does *not* say and with the absence of a path to effective action.

The whole structure of government-sponsored financial guidance is on the wrong path and this consultation is an opportunity to take a step on the right one.

The present patchwork of government-sponsored financial advice should be integrated into a single agency, distanced from the regulator, controlled by a board with broad educational experience, recognised as an authoritative source of financial guidance and integrated into the regulations for consumer protection.

3) Context

The State has attempted to minimise its responsibilities for individual decisions by writing consumer responsibility into the Financial Services and Markets Act (FSMA) and its supplements. This has been equivalent to throwing consumers into a shark pool without a cage.

Various governments have attempted to assuage their conscience by attaching financial education initiatives to sundry regulatory bodies. The result has been a scattergun of projects delivered to understandably confused consumers. In general the projects are honest efforts but mistake information for teaching. All the evidence is that financial education in this country is ineffective.

The consultation document is in effect a series of generally good essays on the advice environment and why both human beings and corporations behave as they do. It follows similar efforts in 2017

(*Future Approach to Consumers*) and 2018 (*FCA Commission: Approach to Consumers*), supported by data collection (2020 *Financial Lives Survey*).

But there are few proposals for action. Viewed in this light the document is in danger of being what the less-reputable parts of the industry wants – an exercise in virtue-signalling with plenty of scope for the appearance of action over the next couple of years without in fact making any inroads into the practicalities of effective regulation.

It is unfair to criticise a document for what it may not set out to do. But it *is* fair to expect at least a reference to plans to address fundamental causes, which are:

- consumer ignorance,
- information asymmetry,
- unrestrained pursuit of profit in a zero-sum game, maximising the conflict of interest between supplier and consumer, and
- regulator powerlessness, whether caused by statutory constraints or failure of the organisation.

A different approach is needed.

4) Proposal for the future

Government should recognise its obligation to provide consumer protection untainted by regulatory capture.

- 1) Responsibility for delivering government guidance should be given to a single separate government agency, replacing the current patchwork. This agency would provide authoritative guidance. IFAs would be required to direct clients to it as a condition of receiving advice.
- 2) It would be controlled by a broad-based advisory board, perhaps reporting to the Department for Work and Pensions.
- 3) This would be both cheaper and more effective because:
 - a. It could reference the HMRC database and other government databases (e.g. NEST).
 - b. It would eliminate duplication.
 - c. It would greatly simplify the advice regulation rulebook.
 - d. It could be web-based only, and therefore cheap. Advisers would simply input the central database with such information on their customers as regulation required (e.g. that transfer information had been requested) and a tailored guidance path related to age and tax circumstances could be delivered.
 - e. It would also be efficient, by removing the need for thousands of separate advisers to devise their own process for compliance.
- 4) In this way a holistic approach to consumer support could be built, combining the efforts of the existing agencies. The birth of MoneyHelper is a good sign. The ambiguous treatment of Pension Wise is not.

- 5) UKSA's [financial guidance website](#) is an example of what can be achieved with a few professional volunteers, commercial independence and no money.
- 6) **Personal financial management is not a series of isolated decisions. It is a whole-of-life journey, and the support structure for that journey should not be fragmented among different agencies always under the threat of regulatory capture.**

5) Author

I am a director and former Chairman of United Kingdom Shareholders' Association (UKSA). During my career with a FTSE100 company I held senior management positions in both UK and US using my skills as an accountant, mathematician and communicator with a particular focus on using information to impact the behaviour of others (making the right decisions and getting the right things done). I was Group Company Secretary for five years, which included responsibility for public relations and investor relations and dealings with the regulator. I am a trustee of the pension fund.

I am the original author of UKSA's financial education website, [honestmoneynow.co.uk](https://www.honestmoneynow.co.uk). This supports UKSA's '[Savers Take Control](#)' campaign.

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