Response provided to the Financial Services Skills Council in respect of their draft consultation document for a National Occupational Standard to Provide Generic Financial Advice.

20 October 2005

I have a number of comments I would like to feed in to this work.

1) It is easy to assume the customer will have a certain level of knowledge and understanding and many of the outcomes and behaviours listed appear to presume so.

I would argue that one thing we are missing is a need for the generic financial planner to actually provide a small degree of personal coaching to the customer to improve their level of understanding and awareness and hence financial literacy, so they can (perhaps for the first time) begin to appreciate the circumstances in which they are in. Such coaching must be in an empathic manner as many customers will be shocked and upset to truly realise the financial situation they are in.

In essence, we should aim for a customer to be more financially capable after meeting with a generic financial planner.

2) Under GFA4, the main categories of need are set down as: debt & borrowing; protection; savings and investment.

I happen to believe we are missing a very important area here, which is 'spending'. If you asked a customer for the top 5 or 10 areas where they spent most of their money, I feel sure that with the help of a little internet research, or a relevant Which? report, you find ways for them to acquire the same products or services for less money.

Hence, the result of your advice is a net saving to the customer, leaving them with more money in their pocket to apply as they wish. Whilst many might not regard this as traditional financial advice, it will be far more useful to the customer than most other financial advice they might otherwise receive!

In addition, sometimes debt arises from excessive spending on designer products etc as a by-product of depression or low self-esteem. The generic financial planner needs to be open-minded enough to treat the whole person (genuine holistic advice) and broach these issues, and help the customer to find a solution (through counselling or whatever).

The personal coaching element I mentioned earlier may well be relevant here as well.

3) Under GFA4, I think the identification of potential options and the discussion of advantages and disadvantages does not go far enough. I think the generic financial planner should be specific about the features a product should have if it is going to meet the needs of a customer.

Also, if it relates to some form of investment, the planner needs to be able to talk about different asset classes and investment risk. For instance, if a customer specifically says he wants low charges, the planner can establish that whatever product is used should have CAT or stakeholder charges.

If a customer likes the idea of mortgage overpayments as a way of saving (as opposed to investing), but is concerned about liquidity, the planner can establish that the next time the mortgage is revised, the customer should specifically ask for a product that will allow overpayments and for any amounts overpaid to be drawn down later.

If a customer has personal values that they want their savings or investments to share, the planner can identify that whatever product is eventually used should provide access to screened ethical funds or if deposit, should be with a bank run along published ethical guidelines.

These are not specific product recommendations, but features that a planner can establish are attractive to a customer. Indeed, it may be that all the specified features cannot be met when a product is actually arranged. That should not stop the planner from identifying those features (indeed that would be a great way of feeding back what customers REALLY want to financial advisers & / or product providers).

That's all for now. I hope you find this useful.

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