National Audit Office

Report
by the Comptroller
and Auditor General

Money Advice Service

Helping consumers to manage their money

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Key facts

19.2m	£80.8m	5.7m
consumers estimated to need money advice	funding for Money Advice Service, 2012-13	unique contacts to the Money Advice Service in 2012-13

97 per cent	of contacts to the Service are on the website
1 million	tools completed on the website between April and July 2013
44 per cent	of consumers recognise the Money Advice Service brand
£18.05 million	marketing spend in 2012-13
£34.5 million	funding for face-to-face debt advice in the UK, 2012-13
158,000	face-to-face debt advice sessions in England and Wales, 2012-13

Summary

1 The Money Advice Service (the Service) was set up in 2010 in response to the government commissioned Thoresen review[1] into consumer financial capability, which estimated that 19 million people in the UK would benefit from generic financial advice. The Service was initially set two main objectives, which were to enhance the public's:

- understanding and knowledge about financial matters; and
- ability to manage their own financial affairs.

2 The Service interpreted these objectives based on the recommendations from the Thoresen review and decided to provide consumers free, independent, impartial information about money matters itself. It does not give advice that is regulated by the Financial Conduct Authority (for example, advice on choosing financial products), so it is restricted as to the information it can give. This information (referred to as 'money advice' in this report) is provided through a website, web-chat, phone and face-to-face sessions. The phone and web-chat services are provided by an outsourced contact centre and face-to-face sessions are provided by a number of contractors across the UK. Money advice can be seen as a preventative intervention, aimed at helping those at risk from developing acute problems such as over-indebtedness.

3 In 2012, the Service also took over the responsibility from the Department for Business, Innovation & Skills (BIS) for funding free face-to-face debt advice projects in the UK, and took on responsibility for coordination of the entire debt advice sector. It is now the largest funder of face-to-face debt advice sessions in the UK. Debt advice is an acute intervention, to help those in crisis. The Service provides debt advice separately from money advice.

4 The Service is funded through a levy on the financial services industry. In 2012-13, the Service's budget was £80.8 million, including £34.5 million allocated to its debt advice programme.

1 Thoresen review of generic financial advice: Final report 2008 available at: webarchive.nationalarchives.gov.uk/+/http:/www.hm-treasury.gov.uk/media/8/3/thoresenreview_final.pdf

5 This report examines how far the Service is giving value to consumers who need financial advice and information. Debt advice (discussed in Part Two) and money advice (discussed in Parts Three and Four) are treated separately because of the difference in how these services are provided. The criteria we have used to assess whether the Service is value for money are as follows:

- Whether the Service has assessed consumers' need for advice.
- Whether the Service fills gaps in provision that other organisations do not address (rather than duplicating services); and coordinates the sector to ensure a high standard.
- Whether the advice and information is targeted to consumers who need it the most through the most effective channels.
- Whether the Service evaluates the cost-effectiveness of its advice; both in immediate impact and long-term behaviour change, and develops its approach as necessary.

Key findings

Importance of advice

6 Money advice is vital for some consumers to make effective decisions in complex financial services markets. The Service's recent survey showed that 36 per cent of consumers in the UK sometimes or often run out of money before payday and the proportion of people with savings has decreased from 75 per cent in 2006 to 62 per cent in 2013. Consumers do not understand some areas of the financial services sector. For example 35 per cent do not understand the effects of inflation on buying power. Money advice is therefore increasingly important for consumers to manage their money better and for markets to function effectively (paragraph 1.2 and Figure 1).

7 The Service was used by 2.1 million consumers across all channels in 2012-13. In this period the Service had 6.8 million visits to its website (97 per cent of all contacts with the Service), from 5.7 million consumers, 97,000 consumers through its contact centre, and 100,000 face-to-face advice sessions. The 2.1 million it reported was calculated by removing fleeting visits to the website. The Service still makes this calculation but no longer reports it at board level. Furthermore, over a third of calls received in the contact centre were out of scope (paragraph 3.2 and Figure 7).

Costs of provision

8 The Service's procurement department managed 87 per cent of the Service's budget in 2012-13 and followed appropriate procedures. The Service procures many of its services, including face-to-face advice and the contact centre for phone and web-chat services, and therefore the procurement team fulfil a vital function. The procurement team is highly visible in the office and set up contracts using official procurement guidelines or through approved government contractors (paragraphs 1.12 to 1.15).

9 **The Service reports a total cost per contact across all advice channels to its board, which is not broken down into the cost per contact for individual channels.** Due to the way in which the contracts with the contact centre are structured, the cost per actual contact achieved differs from the fixed price per contact written into the contract. We calculated the cost per actual contact achieved for web-chat and phone advice sessions and found them to be higher than the fixed price. Therefore it is important the cost per actual contact achieved is calculated for each advice channel and reported to the board (paragraphs 3.6 to 3.10).

Debt advice

10 **Since taking on responsibility for debt advice, the Service has reduced unit costs for provision.** The Service took over responsibility for commissioning face-to-face debt advice sessions from BIS in April 2012 and provided £30.2 million in funding across the UK. The Service provided 158,000 face-to-face debt advice sessions in 2012-13, an increase of 58 per cent on the previous year. It has reduced average unit costs for this advice from between £201 to £377 down to £169 (paragraphs 2.6 and 2.7).

11 **The Service has also improved standards of debt advice.** When it took over commissioning face-to-face debt advice from BIS the Service reviewed the demand and the provision of debt advice to consumers. This increased its understanding of the sector. It is continuing this work by developing standards and an evaluation framework for advice sessions, to continue to improve the quality and consistency of advice throughout the sector. However, debt advice providers have found the misalignment between the funding timetable and the Service's overall budget process difficult (paragraphs 2.9 to 2.13).

Money advice

12 **A timetable was set for the Service to start providing advice in April 2011, which did not allow it time to conduct analysis into the need for advice.** In June 2011 the Service began work into understanding the need for money advice. However, it was not able to use the analysis it conducted around the need and availability of money advice to inform the launch of its services (paragraph 4.4 and Figure 15).

13 **The Service adopted a 'digital first' strategy, but the evidence that the Service's digital platform is meeting consumers' needs is mixed.** Following the Service's £18 million marketing campaign, visits to the website increased by 400 per cent and consumers stating that the Service has provided them with the information they required has increased to 83 per cent. The proportion of consumers completing a tool on the website has increased from 13 per cent to 25 per cent, however, the time consumers are spending on the site has dropped over this period and 50 per cent of consumers leave the website after visiting only one page. Moreover, despite the fact that more than half the adult population now use a mobile phone to access the internet, the Service has not yet completed the development of a mobile platform (paragraphs 3.11 to 3.22).

14 **According to the Service's own financial capability survey the 'older families' segments targeted for advice actually score better on nearly all measures of financial capability than the UK population average.** The Service has used measures of consumers' financial outcomes to select segments of the population on which to focus its marketing and interventions. However, the different levels of risk for different individuals not achieving these outcomes have not been included in the analysis. These groups may not, therefore, include the consumers who would benefit most (paragraph 4.23 and Figure 23).

15 **After two years of providing insufficiently targeted advice, the Service has now reached a phase in its strategy in which it is developing more targeted advice provision.** From April 2011 to March 2013, the Service's advice provision has not been sufficiently targeted to those most in need. However, work completed in 2012-13 to focus advice towards consumers achieving specific outcomes is only now enabling the Service to provide more targeted advice. The launch of the UK Financial Capability Strategy, to be published in 2014, also means the Service will be better placed to influence the money advice sector to bring about long-term behaviour change. The Service is also now doing more partnership working, and is beginning to develop more of an understanding of the need for money advice. This work has allowed the Service to improve its relationships with its stakeholders (paragraphs 4.15 to 4.18).

Evaluation and monitoring

16 **The Service has not reported a consistent measure of website engagement to the board.** The Service's website is the centrepiece of its 'digital first' strategy. The Service monitors website engagement, through measures such as number of articles read and tools completed, and has reported some of these specific measures to the board. However, it has not reported a consistent measure over time which incorporates other industry standard measures, such as the proportion of visitors who leave the website after looking at only one page (paragraphs 3.12 to 3.15).

17 **The Service has not yet combined its evaluation projects, measuring outcomes and success, into an overall evaluation programme.** The evaluation projects that the Service set up include its Financial Capability Tracker survey first run in 2013, which allows it to compare outcomes for Service users against the general population. There is also an impact survey, which will give information about the actions consumers take after receiving advice, a debt advice evaluation framework and evaluation framework for financial capability. However, there is no overarching strategy to combine these projects, give evidence for the Service to allocate resources, and inform the organisation's direction (paragraphs 4.30 to 4.32).

Conclusion on value for money

18 The Money Advice Service has achieved value for money in its debt advice work. The number of advice sessions has increased, the unit costs have fallen, and the quality standards of advice have been continuously improving since our last examination in 2010. For the provision of money advice, the Service is only now moving in the right direction to allow it to add more value in providing an important service. It has not yet shown that it is achieving value for money as it has not to date sufficiently targeted its interventions to those who need it most. It is now moving in the right direction by developing a more specific and targeted provision.

Recommendations

a **The Service should ensure that debt advice standards are maintained now it has moved to a three-year funding period for providers.** The Service should assess the providers' quality assurance processes to ensure that this will allow the Service to maintain debt advice provider standards throughout the new three-year grant agreements. It should ensure that its plans for implementing a peer review will provide it with the assurance it needs for quality.

b **The Service should develop an understanding of the risks to different consumers associated with its outcome measures.** The Service should aim to understand the different levels of risks that not achieving its outcomes poses for different groups in the UK population. It should then use this analysis to better segment the UK population and identify their advice needs and how these can be best met.

c **The Service should continue to develop its role to become more of an influencer of other organisations people turn to for money advice.** The Service has already improved how it works with stakeholders to achieve its statutory objectives. It should continue to develop these relationships through the UK Financial Capability Strategy to establish a thorough assessment of the landscape and the gaps that it can fill, and further build on its partnership working to ensure that money advice can be given to more people.

d **The Service should continue to build relationships and links with regulated financial advisers who can provide advice on regulated financial products that fall outside the remit of the Service.** Under existing regulation the Service cannot provide individuals with information on regulated products, however, it could signpost users to sources of regulated advice.

e **The Service should create a coherent evaluation strategy to bring its existing evaluation projects together.** To achieve value, the Service needs to evaluate what it provides to measure engagement such as a consistent measure of website engagement, the immediate impacts of its advice services, as well as measuring longer-term behaviour change. The Service should use this evaluation to make more informed decisions on allocating resources to maximise cost-effectiveness, ensure that advice is meeting need, and ensure that it uses the right channels.