

Financial Guidance and Claims Bill

Summary

The Bill has two-parts. Part 1 creates a new arm's-length single financial guidance body that will replace three existing providers of publicly funded financial guidance – the Money Advice Service (MAS), the Pensions Advisory Service (TPAS) and Pension Wise. It also enables the devolved authorities to be funded to deliver debt advice in Scotland, Wales and Northern Ireland.

These measures will improve the UK's financial capability by providing a more joined-up service to help people make effective financial decisions, and provide greater clarity and make it simpler for customers by having a single body responsible for all public financial guidance.

Part 2 of the Bill will strengthen the regulation of Claims Management Companies (CMCs) by transferring the regulation of Claims Management services to the Financial Conduct Authority (FCA), and transfer complaints-handling responsibility to the Financial Ombudsman Service. It will also provide the FCA with fee-capping powers to protect people from excessive fees.

This is intended to tackle a range of conduct issues within the sector, ensuring a tougher regulatory framework and increased accountability of senior managers.

Single financial guidance body

Levels of financial capability in the UK are low and many people face significant challenges when it comes to managing their money, avoiding debt, building up savings in the short term, and balancing this with saving money for retirement. The Government is committed to ensuring that people have access to the information and guidance they need to help them make effective financial decisions throughout their lives.

Government-sponsored financial guidance and debt advice is currently provided by MAS, TPAS and Pension Wise. These services are funded via levies on the financial services industry and pension schemes, and the three services have overlapping services but different brands; this has created confusion for their customers.

At Budget 2016 the Government committed to restructuring the public financial guidance landscape. There is now a growing and significant expectation for change. Stakeholders from industry, charities and consumer groups are supportive of the policy to create a single financial guidance body.

The creation of a single body will ensure that people are able to access the financial guidance they need and improve their ability to make informed financial decisions. It will also simplify their access to government sponsored financial guidance, whilst improving efficiency by reducing the duplication of services and delivering value for

money through efficiency savings that could be redirected to front line provision or to levy payers.

These changes are set against a backdrop of broader government reforms and initiatives – such as Automatic Enrolment into workplace pensions - intended to help people build savings and improve financial resilience. The existing guidance services are seeing a significant increase in members of the public looking for high-quality, impartial financial guidance and debt advice. The new body will need to be able to adapt its service offer and provide information and guidance to equip people to deal with changes now and in the future.

Claims Management Companies (CMC) regulation

The Government is committed to clamping down on rogue CMCs that bombard consumers with nuisance calls and provide poor service by transferring regulatory responsibility to the FCA.

There have been a number of complaints levelled at CMCs. Common complaints include: poor value for money; misrepresentation of service offered to consumers; reliance on nuisance tactics, such as unsolicited calls and texts; and progression of inappropriate (i.e. speculative and/or fraudulent) claims.

Currently CMCs are regulated by the Claims Management Regulation Unit (CMRU), which was established in the Ministry of Justice in 2007. It is unusual for a government department to directly regulate an industry and it was originally intended as an interim measure. Despite reforms to CMRU's powers, widespread malpractice among CMCs continues and CMRU lacks sufficient power and resource to supervise the market to the level that the FCA would.

At Summer Budget 2015, the government commissioned an independent review to examine the claims management company market and make recommendations to improve the regulatory regime. Following this review, undertaken by Carol Brady, the government announced at Budget 2016 that it is clamping down on the rogue CMCs that provide bad services and bombard customers with nuisance calls.

There is widespread support among external stakeholders for the tougher regulation of CMCs, particularly from the financial and legal sectors, who responded to the independent review's call for evidence.