Retail Banking Conference

UK Finance, Angel Court, London, 13th March 2019

The role of the Money and Pensions Service in supporting customers in personal finance – Sir Hector Sants (Chair, Single Financial Guidance Body)

May I start with two disclaimers.

Firstly, it has been announced that subject to parliamentary approval the new name of the Single Financial Guidance Body will be: Money and Pensions Service. But in deference to the parliamentary process I will use ‘SFGB’ for the rest of my remarks today.

Secondly, as the SFGB is in the process of establishing its strategy – as you will hear – my remarks should be seen as my early thinking about our strategic direction which I will be keen to discuss with stakeholders throughout the UK during our listening phase. More on that later.

My starting point is that financial well-being matters. It is important because it is central to personal well-being and thus to living a contented life. Furthermore, it is clear our state of financial well-being is not good. Three facts to illustrate that:

* There are 52 million adults in this country
* of whom 9 million are in problem debt, and
* 11 million do not even have £100 in a savings account.

Even more concerning, in my view, is the fact that 47% of adults (24.3m) do not feel confident making decisions about financial products and services.

I think this situation should cause the industry to reflect. It is telling you that almost half of your potential customers associate your product with anxiety. I would suggest that is worthy of reflection.

Can I now turn to the two key questions:

* How can we help?
* And, what can you do?

To address these issues:

The SFGB is central to the challenge of improving financial well-being.

Our parliamentary mandate means we have a clear vision:

**“Everyone making the most of their money and pensions.”**

Achieving this would transform the state of the nation’s financial well-being, and society’s overall level of well-being. Of course, it is not a complete solution to financial well-being – those who do not have enough will continue to struggle even if they are financially capable - but achieving the vision of the SFGB would still, in itself, be a significant step forward.

The vision may be clear, but we have much work to do to be sure of the best way forward or, in formal terms, to articulate a clear achievable strategy.

My thoughts on the high-level objectives for the next five years are that we should:

Firstly, “Raise awareness” - of the importance of financial well-being through:

* Establishing the importance of financial well-being as a top priority for policy makers and raising its awareness in society to a level comparable to that of mental and physical health.
* Ensuring all those who need pensions guidance, receive it

Secondly, significantly increase capacity to remediate financial distress – “help consumers in vulnerable circumstances” – through:

* Focusing our remediation to ensure there is free help available for all those who fall into problem debt
* Working to ensure that those individuals where financial distress impacts their mental and physical health are helped.

 Thirdly, “Establish a credible National Strategy” to achieve our vision of everyone making the most of their money and pensions

This requires a credible strategy to equip adults with the necessary skills and services to manage their money and pensions.

At a high level a successful national strategy will require individuals:

* to be financially educated
* to be equipped with the necessary tools, guidance and advice
* to have access to the necessary services; which should be both affordable and ethical
* to have the right behavioral attitude to money.

The last point is crucial to achieving the Strategy. Currently the issue of shame about problem debt and poor financial decision making, and the lack of an individual’s willingness to engage with money matters, are significant barriers to progress.

Our final objective is an internal one - “establish an efficient, sustainable and respected organisation”

I think this is self-evident, so I will not dwell on it today.

If our high-level goals are clear what are our next steps?

We want to involve stakeholders – existing and new – in the development of our strategy. We intend to do that between now and the Autumn of 2019 by engaging with stakeholders across the country through a “listening phase” followed by the publication of our conclusions.

In essence therefore, we see 2019/20 as a set-up and listening year – a transitional year – with 2020/21 being our first year based on our own strategy.

Our autumn publication will have two components:

Firstly, a national strategy to create the building blocks to deliver a financially capable nation. This is a long-term endeavor and its success will depend on the active support of all.

And, secondly, a three-year SFGB business plan - setting out the specific activities and goals for which the SFGB will be directly accountable.

The focus for the SFGB will be:

* To create and lead the delivery of the national strategy, and
* To deliver either directly or via commissioning help, with a focus on the most vulnerable. Examples of that being those in debt and those facing key financial decisions, for example, with regards to retirement and pensions.

We should not forget, however, that in money matters everyone is potentially vulnerable. Thus, the SFGB will also seek to ensure we are all equipped to make good decisions.

We will however, only succeed in partnership with industry; which takes me to my second and principle question for this audience: **what can you, the retail banking industry, do to help deliver the vision?**

The theme for me which underlines this question is one of partnership: to address the challenges of improving customer outcomes we must work together, increasing prevention and trust.

The industry should increase its emphasis on prevention: what we term ‘financial capability’. At a strategic level it should shift the balance of engagement from remediation to prevention. The industry spends billions on a mix of regulatory fees, direct internal controls and compliance; let alone the billions spent on redress. Yet the expenditure on prevention – in other words, equipping individuals to be empowered – is at best a few hundred million. I would suggest that’s not the most effective use of your resources. A switch in the balance, in my view, will give better outcomes for consumers and reduce risk for financial service providers.

I believe we should work together to restore trust in the industry. The industry must work to improve trust - but the industry should work with the rest of us involved to help change the tone of public discourse. I think to achieve this goal requires a further change in the way financial institutions view their customers. It is not enough to say you are putting the customer first. I think the industry needs to really see the service through the eyes of the customer – put the individual as a person at the centre of their culture.

Seeing money matters through the eyes of individuals has four components:

The *first* is recognition that every individual is different – and potentially vulnerable - so the firm’s interaction with the individual should be based on individually tailored vulnerability assessments and have the goal of improving their financial well-being. Instead of selling them a product which is meeting a legitimate need.

The *second* aspect of an individual-centric approach is that of empowerment. Fears and anxiety in money matters can be significantly diminished if the individual feels in control – empowered. This requires the individual to own their personal information and have a system which is responsive to the actions of the individuals. Modern technology allows such empowerment, but it will often require industry to co-operate. I would encourage you all to drive empowerment.

*Thirdly*, I believe we at the SFGB need to work with industry to create more of a seamless handover between us and you. Our role is to work with you to create an empowered, informed individual so that if they wish to transact the required interaction, is of a high quality and as constructive as possible.

*Finally*, I think we need to work together to widen the eco-system involved in this endeavor. We need to ensure every touch-point which could trigger a financial conversation does. In particular, I think financial services and employers need to work more closely together.

**In summary**, from the perspective of the SFGB better customer outcomes will be driven by:

* a coherent national strategy to empower and inform customers.
* greater resources to deliver the national strategy. Possibly funded by a switch from remediation to prevention; and
* a further cultural shift by firms, to see customers as individuals, all of whom potentially are vulnerable with a recognition that the goal is one of promoting financial well-being rather than focusing on individual transactions.

Rather than putting customers first, banks should put individuals and their personal well-being first.

I hope you found these remarks informative and I look forward to taking questions.

Thank you. ***Word count: 1,460***