

**HM Treasury and Department for Work and Pensions consultation  
Single Public Financial Guidance Body (SFGB)  
Response by the Low Incomes Tax Reform Group**

**1 Introduction**

- 1.1 We welcome the opportunity to continue to comment upon the development of the provision of public financial guidance and are pleased to note that in this latest consultation on establishing a single co-ordinating body, many of the ideas which we, and doubtless many others, put forward in our two earlier responses have been adopted. It is perhaps a little more disquieting that in a document which quite rightly highlights the priorities of debt and pension guidance, the word tax does not appear once. Tax debt, alleged or actual, is a major area of debt problems, which can only be appropriately challenged or established by professional tax advisers.<sup>1</sup> Likewise tax is an important part of pension savings and decumulation<sup>2</sup> and here also professional advice can be crucial. Wider savings is another important field in which tax can have a big impact.<sup>3</sup> We will expand upon these points in our proposals below.

**2 About Us**

- 2.1 The Low Incomes Tax Reform Group (LITRG) is an initiative of the Chartered Institute of Taxation (CIOT) to give a voice to the unrepresented. Since 1998 LITRG has been working to improve the policy and processes of the tax, tax credits and associated welfare systems for the benefit of those

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<sup>1</sup> Our comments are laid out in more detail in our response at <http://www.litrg.org.uk/sites/default/files/160608%20Public%20Financial%20Guidance%20-%20LITRG%20response.pdf>

<sup>2</sup> Ibid.

<sup>3</sup> See section 3 in our initial response <http://www.litrg.org.uk/sites/default/files/files/151221-LITRG-response-PFG-FINAL.pdf> where we list many everyday areas of financial decisions involving tax and a case study.

on low incomes. Everything we do is aimed at improving the tax and benefits experience of low income workers, pensioners, migrants, students, disabled people and carers.

- 2.2 LITRG works extensively with HM Revenue & Customs (HMRC) and other government departments, commenting on proposals and putting forward our own ideas for improving the system. Too often the tax and related welfare laws and administrative systems are not designed with the low-income user in mind and this often makes life difficult for those we try to help.
- 2.3 The CIOT is a charity and the leading professional body in the United Kingdom concerned solely with taxation. The CIOT's primary purpose is to promote education and study of the administration and practice of taxation. One of the key aims is to achieve a better, more efficient, tax system for all affected by it – taxpayers, advisers and the authorities.

### **3 Executive summary**

- 3.1 The Government must not underestimate the substantial proportion of the population who have difficulties in their dealings with the rest of the world digitally or by telephone, whether through lack of access or confidence, mental or physical disability, inability to afford broadband or landline, shortcomings of literacy or numeracy, or inadequate broadband. Additional obstacles include geographical remoteness, absence of public transport, or caring responsibilities.
- 3.2 Delivery of public financial guidance must concentrate on reaching out to these disadvantaged groups.
- 3.3 An SFGB should aim to provide overall co-ordination and strategic thinking while leaving the direct delivery to those agencies already in the field and with a well-established reputation in their specialist area.
- 3.4 An SFGB should be responsible for organising research and studying outcomes, commissioning and decommissioning service outlets according to successes or failures.
- 3.5 An SFGB should maintain a central website with easily-identifiable links to appropriate specialist advice agencies. It should assist the funding of those agencies' websites to deliver relevant material.
- 3.6 All central funding should be dispensed by the SFGB.
- 3.7 The SFGB should develop a unified educational programme and help schools insert it into their curriculum by raising volunteers from the various professions and providing materials.
- 3.8 The SFGB should increase public awareness of the existence of public financial guidance by identifying and using both private and public sector bodies that people tend to come into contact with. This would mean that people can be targeted with information they need at specific life events – leaving school, starting higher education, having a baby, joining a pension scheme, planning retirement, bereavement and so forth. Such a strategy will maximise public awareness of guidance available, and is likely to increase their engagement with it.
- 3.9 We now reply in detail to the questions.

**4 Q1. Do people with protected characteristics under the Equalities Act 2010, or any consumers in vulnerable circumstances, have particular needs for public financial guidance or difficulty finding and obtaining that guidance?**

4.1 There are substantial numbers of people who both need free-to-access financial guidance and have great difficulty in gaining that access. These include, for example:

- the older section of the population who more frequently than most are digitally excluded by absence of computer tools, inability to use them even when available, fear of technology and for security, and the sheer cost of running broadband;
- those with low literacy and numeracy whether they have access to the internet or not;
- those in rural locations with limited or non-existent public or private transport;
- those with a slender command of English;
- those with physical or mental health problems; and not least
- those on low incomes who are unable to afford the most modest of professional advisers' fees.

4.2 These people are arguably the most in need of good and free financial guidance to make the best possible use of what few pennies they have and make them last as long as their natural lives. The proposed SFGB and its systems should be designed with such a vulnerable clientele and those with disabilities at the forefront of the commissioning body's mind.

4.3 There is a large segment of the working population, both employed and self-employed, who, although having access to computers and the internet in their jobs, nevertheless are not competent or confident in using these tools outside their workspace – especially as regards personal financial and transactional matters. In particular the self-employed also lack any employer or payroll to whom to turn for help and advice. We comment in far greater detail in our report on digital services.<sup>4</sup>

**5 Q2. Do you agree that these areas capture what the broad role of the SFGB should cover?**

5.1 Yes. We are glad to see that early education in matters fiscal and financial receive proper attention (2.11) and also recognition that separating the different categories into silos is artificial and that there are wide areas of cross-over and interaction between them (2.5).

**6 Q3. Do you agree that the SFGB's financial capability initiatives should focus on 'the squeezed' and 'struggling'?**

6.1 We would add to those two the "willing but incapable" as listed in our answer to Q1.

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<sup>4</sup> <http://www.litrg.org.uk/latest-news/reports/161129-digital-services-taxpayers-%E2%80%93-effectiveness-and-engagement>

**7 Q4. Do you agree that the SFGB should have a strategic role, working with the financial services and pensions industry and third sector organisations of the guidance sector?**

7.1 Clearly one supervising body is necessary to co-ordinate the activities and co-operation of the individual specialist organisations who will be delivering most of the front-line service and avoid duplication and re-invention of wheels.

**8 Q5. How might the SFGB develop its understanding of what works and usefully contribute to sector wide research**

8.1 The SFGB would be in the best position to assemble and analyse information gathered from across the whole financial guidance front and identify successes, failures and inadequacies. From these the SFGB would be able to identify useful areas for research as well as the appropriate agencies to undertake such research. To avoid undue pressures and conflicts of interest, there should be a majority of independent directors over the specialist representatives.

**9 Q6. In what ways could the SFGB co-ordinate and add value to the provision of financial education?**

9.1 They could co-ordinate industry experts to go into schools and support teachers with the delivery of financial education modules, particularly in niche areas such as tax. From our work in tax educational matters, we know there are a good number of members of the CIOT, for instance, who might be prepared to go into schools and help / talk to the children, etc. SFGB could help to break down the barriers to doing so – e.g. concerns over the relevant background checks being needed (they could work with the Department for Education, perhaps, to get people vetted appropriately) and perhaps provide a matching service to supply volunteers to schools, etc where they are needed.

9.2 There is clearly a recognised need for financial education in schools, however from our experience in looking at tax education, there is concern about where this will fit into a very busy curriculum. There are also concerns that the quality of financial education will vary at different schools. A co-ordinated approach by SFGB would benefit schools by providing clear guidance on where financial lessons fit into the curriculum, for instance maths or citizenship, and supporting all schools by providing guidance and support explaining the importance of financial education for all pupils.

9.3 Some form of marketing might be necessary by the SFGB among free schools and academies which are not obliged to follow the national curriculum.

**10 Q7. Are there other delivery channels that the SFGB should consider that would be effective for delivering to consumers?**

10.1 The way this question is asked gives rise to concern that the delivery channels laid out in 3.2 – 3.7 of the consultation document have been decided and that the paper is merely wondering if there might be other channels not yet mentioned. We would see the SFGB as the co-ordinator and

supervisor of the entire project and provider of the central website. In no way can we envisage this body being staffed with an adequate supply of expert advisers across the range of financial guidance to deliver professional advice by telephone, webchat or any other direct medium straight to the customers. That is the role of existing services in the field and to set up a central advice service would indeed be to create duplication. The SFGB has a vital role in strategic thinking and planning, in co-ordinating the frontline advice services, in ensuring warm hand-offs and similar liaison tasks work smoothly, in research, in monitoring outcomes, in distributing funding, in raising the public awareness of the scheme as well as constantly seeking new ways to deliver to its audience, especially the vulnerable mentioned earlier.

- 10.2 It should certainly maintain a central website as a starting point for enquirers, but with each segment linking clearly to the relevant expert advice service and their specialist websites. The SFGB website can paint a broad picture and illustrate how financial decisions can cross borders. By way of simple example, we would put forward the problems of LISAs versus pensions as highlighted in our response to the recent consultation document.<sup>5</sup> The SFGB would be responsible for directing central funding to approved websites.
- 10.3 We would above all else emphasise the importance of providing face-to-face guidance in all areas covered by the SFGB to meet the needs of those we to whom we drew attention in our answer to Q1.

## 11 Q8. How should the SFGB ensure that it engages consumers at the right time for them?

- 11.1 There is no reason why both public and private sectors should not assist the process by including information about SPGB in their mailings and publications, guiding the recipients to the overarching guidance on the SFGB website. It takes but little space to add “For further information on help available, visit [www.sfgb.org](http://www.sfgb.org)” or whatever. By way of anecdotal illustration, some years ago the Strathclyde Pensions Scheme included gratis in their P60 mailing to their members some information about our sister charity Tax Help for Older People. The result was overwhelming (unfortunately for the callcentre staff) but many PAYE coding and tax over- and underpayment problems were resolved.<sup>6</sup>
- 11.2 People generally only seek advice and guidance when they actually need it, so dissemination of the existence of public financial guidance should in similar vein to the above example be delivered through existing relevant schemes. For example:
- JobCentres will presumably be involved in helping to deliver the government’s proposed Help to Save scheme – they are ideally placed to direct customers.
  - Auto-enrolment requires employers to write to employees about the pension scheme – again, an ideal time to mention public financial guidance.

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<sup>5</sup> <http://www.litrg.org.uk/latest-news/submissions/170124-handbook-changes-reflect-introduction-lifetime-isa>

<sup>6</sup> Tax Help for Older People is a registered charity which provides free professional advice to older people on low incomes on tax problems. [www.taxvol.org.uk](http://www.taxvol.org.uk)

- HMRC are putting many resources into Personal Tax Accounts online, and plans for the system to 'prompt' or 'nudge' people to take particular action. Surely this is again a good place in which to include a nudge towards public financial guidance? This would be especially valuable to the self-employed who are not (yet) involved in auto-enrolment – for example, the system could flag up that the taxpayer has not included any pension contributions and nudge them towards information on saving for retirement.
- Maternity, mortgages, student loans and hundreds of other trigger points could be used to constantly raise the profile of public financial guidance. Providing targeted information and prompts at these life events would all have far more impact than general advertising, as the Money Advice Service experience showed this to be expensively ineffective.

**12 Q9. Do you agree that the SFGB should be able to exercise some flexibility in the way funding is directed?**

12.1 It would seem sensible that the SFGB could direct funding to where it is most effective or to new methods of delivery.

**13 Q10. Would these proposals have any impact on the delivery of public financial guidance in Scotland, Wales or Northern Ireland?**

13.1 There is no reason why these proposals should vary among the four nations. This concerns the delivery method, not the advice content which may well vary between devolved administrations. A further argument why the service should be delivered locally.

**14 Q11. Do you have any other comments about the proposed delivery model and consumer offer?**

14.1 No further comments.

LITRG

27 January 2017