

The preventative advice gap

How money advice can help
people avoid financial difficulties



**citizens
advice**

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Executive summary

Getting money advice can help people make the most of their budgets and avoid financial difficulties. That help is more important than ever as people's finances become less stable, they are given greater responsibility for managing their money and low levels of financial capability persist.

One of the reasons people don't get money advice is that it is not designed, or delivered, in a way that helps them avoid getting into financial difficulties. There is a preventative advice gap. This research identifies three causes of that gap:

- **Advice is not offered at crucial times in people's lives** - Up to 23 million people were not offered advice at key moments in their lives who may have taken it.
- **Advice is seen as a last resort** - People don't seek money advice until they reach a crisis point like being unable to afford debt repayments. Consumers are nearly 50 per cent more likely to consider seeking help for a debt than for general money management.
- **Advice is too narrow** - Over 1 million people who have had financial guidance did not get help with a related issue such as housing or work.

In the future, the funding, commissioning and delivery of money advice should be targeted to solve these problems to help people plan ahead, save for the future and make good financial decisions throughout their lives. Using evidence from interviews with advisers and advice service managers, this report sets out the benefits of this approach and offers examples of how this can be done which will be useful to commissioners and practitioners, showing that:

- Advice can be targeted at people going through key life changes by providing advice alongside the services people already use.
- Advice can be more responsive to unexpected changes in people's circumstances and provided before those changes lead to financial difficulties.
- Debt and money advice can be provided together and alongside general advice to deal with the root causes of people's money problems.

As the government considers how best to support people with money and debt issues they should place prevention of financial difficulties at the heart of any changes. Preventative money advice, which proactively targets people at key life moments and responds to unexpected changes in their lives would help people avoid getting into financial difficulties and build their own financial resilience.

Introduction - why do people need help with their money?

Not enough people get the help making financial decisions they need. This is often referred to as the 'advice gap'. Our research has found that there are four reasons people miss out on the benefits of money advice - four advice gaps.¹

Figure 1: The four advice gaps



In this report, we use national polling data² and detailed interviews with 13 money advisers and advice service managers to highlight the impact of the lack of preventative money advice and the potential benefits of building a more preventative system³

Why do people need help with their money?

Getting money advice can help people maximise their income, make the most of their budget and avoid financial difficulties. Three elements of the financial challenges people are facing mean the need for that help is greater than ever:

1. **People's lives are becoming more complex and their financial situations becoming more subject to change and unexpected shocks.** A mixture of slow income growth, increasing numbers of people struggling to meet essential costs⁴ and growing consumer confidence means people are not able to save money for the future. Thirty seven percent of people never, or hardly ever, manage to save anything and the OBR has forecast the saving ratio to continue falling.⁵

¹ This report is focussed on what the government refers to as 'public financial guidance', but the term 'money advice' is used broadly to describe everything from regulated independent financial advice to general money guidance - see Annex 1 for more detail on the distinctions.

² The original data in this report is based on a YouGov survey of 2,041 adults between 2nd - 5th October 2015.

³ This report uses a broad definition of 'preventative advice' in this report, including general money advice and broad debt advice as well as financial capability programmes.

⁴ Citizens Advice, (2015) [Advice trends 2011-2015](#)

⁵ Office for Budget Responsibility (November, 2015) [Economic and fiscal outlook](#)

2. **There is a trend towards people being given greater responsibility for managing their money.** For instance people have been given more choice over when and how to withdraw their pension savings,⁶ recipients of Universal Credit will usually receive monthly rather than weekly payments and recipients of social and long-term care have been given individual care budgets.

3. **Many consumers still lack the necessary financial capability to make the best financial decisions for them.** The most recent Financial Capability Strategy identified three key behaviours of financially capable consumers.⁷ In each of the three areas, our research has found that large numbers of consumers lack crucial skills. Table 1 summarises the key findings:⁸

Table 1: The financial capability challenge

Financially capable behaviour	Extent of lack of capability
Managing money well day to day; shopping around, budgeting and building resilience	<ul style="list-style-type: none"> ● 28 per cent of adults in the UK find managing their money and making financial decisions challenging ● 49 per cent of adults sometimes run out of money at the end of the month
Managing money through significant planned and unplanned life events	<ul style="list-style-type: none"> ● 31 per cent of adults in the UK plan their finances over two years ahead ● 28 per cent of adults say they 'live for the day' when it comes to their finances
Being able to handle periods of financial difficulty including knowing when to seek support and advice	<ul style="list-style-type: none"> ● 37 per cent of adults never or hardly ever save ● 30 per cent of people earning between £30,000 - £39,000 per year never or hardly save anything

Preventative money advice is part of the solution to those challenges. Ensuring advice is available to people at the key moments in their lives and before financial challenges become problems can help more people get the advice they need when they need it. In the next section we explore the causes of the preventative advice gap in more detail.

⁶ Pension freedoms introduced in April 2015 removed the effective requirement for consumers to purchase a guaranteed income product with their defined contribution pensions.

⁷ Money Advice Service, (2015) [Financial Capability Strategy for the UK](#)

⁸ More detail is provided in Citizens Advice, (2015) [The Free Advice Gap](#)

The preventative advice gap

A lack of money advice which aims to proactively help people respond to changes and challenges in their lives means many people do not get the help managing their money that they need and want. There are three causes of that shortfall:

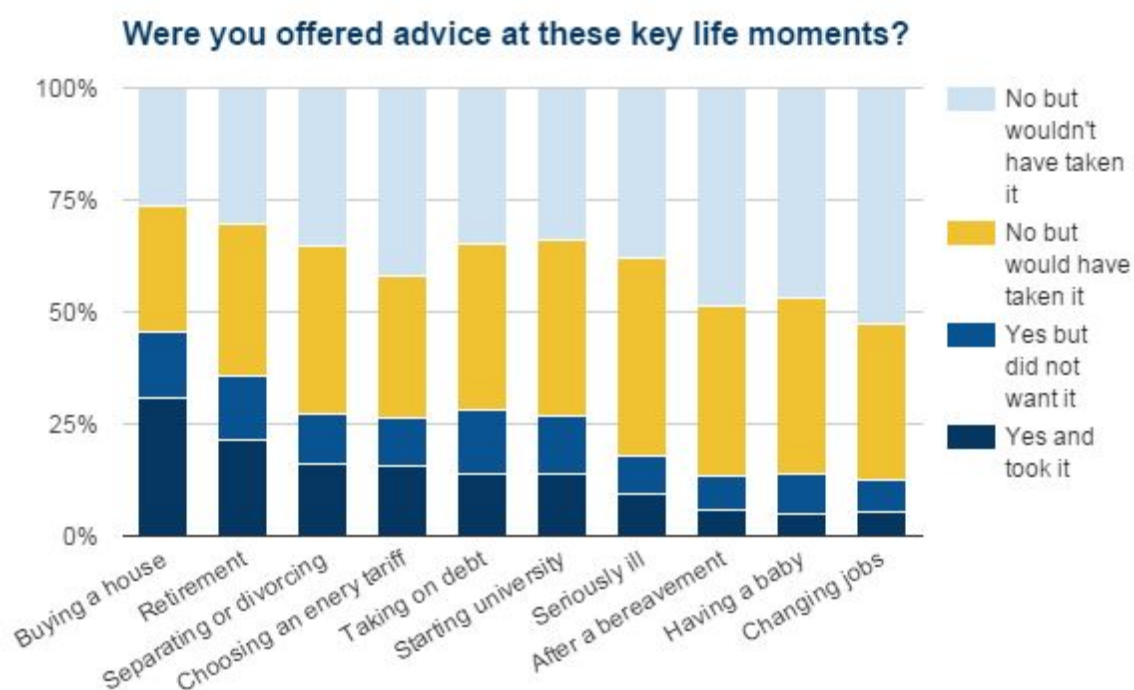
- Advice is not offered at crucial times in people's lives
- Advice is seen as a last resort and does not help people respond to changes in their circumstances
- Advice is too narrow in and fails to deal with wider issues such as housing and work

i. Advice is not offered at crucial times in people's lives

When people are facing major changes in their lives such as having a baby, moving house, or approaching retirement they not only have the most to gain from advice but are most likely to want it. Our research found that people would be more likely to get money advice if it was made available at key moments in their lives.

We found that nearly half of adults (48%) who didn't take advice at key moments in their lives would have if it had been offered to them. Chart 1 illustrates the proportion of people who have missed out on advice due to a lack of availability at key moments. The extent of the missing preventative advice is identified in yellow.

Chart 1 - The lack of advice at key life stages



The availability of advice varies considerably depending on the situation. While 46 per cent of people who have bought a house were offered advice, just 14 per cent of people having a baby were. At each of the key life stages in our survey we found a significant group would have taken money advice if they had been offered it - for example:

- 44 per cent of people who have been seriously ill.
- 39 per cent of people who have had a baby.
- 35 per cent of people who have moved jobs.

That demand for money advice at key stages in people's lives stands out amongst particular groups in the population. For instance among those with dependent children, 43 per cent of people who say they would have taken money advice if it had been on offer when expecting a baby. That indicates that while the impact of major life events are still being experienced, the recognition of the potential benefits of money advice to help deal with those changes is highest.

It is also particularly high for people who lack financial confidence. For example 50 per cent of those who lack financial confidence would have taken advice when moving or starting jobs, compared to 32 per cent of those who do feel confident. Similarly, 56 per cent of people who lack financial confidence, and have been seriously ill, would have taken advice had they been offered it, compared to 40 per cent of those who are confident. Making money advice available at key moments in people's lives would benefit people who are most likely to need help.

People in the UK feel more confident managing their money on a day to day basis than they do about coping with major life events.⁹ Providing money advice at major junctures in people's lives can help people adjust to higher outgoings or lower incomes and to make financial choices that maximise their resources and financial resilience. That advice can make sure that major changes in people's lives do not lead to financial issues further down the line.

⁹ Money Advice Service, (2015) [Financial Capability Strategy for the UK](#)

ii. Advice is seen as a last resort

Too often people turn to money advice as a last resort.¹⁰ 60 per cent of people say they would take up guidance if they had debt problems, but only 40 per cent think they would benefit from general money advice.

People's financial problems are more often the result of unexpected changes in their lives than simply bad financial planning or over spending.¹¹ Forty per cent of adults have had financial difficulties due to unexpected changes in their lives. For instance, as shown in Figure 2, more than 12 per cent of adults have had financial difficulties due to unexpected bills and around nine per cent due to ill health. It needs to be easier for people to get advice before those changes in circumstances lead to financial difficulties.

Figure 2 - Financial difficulties caused by changes in circumstances

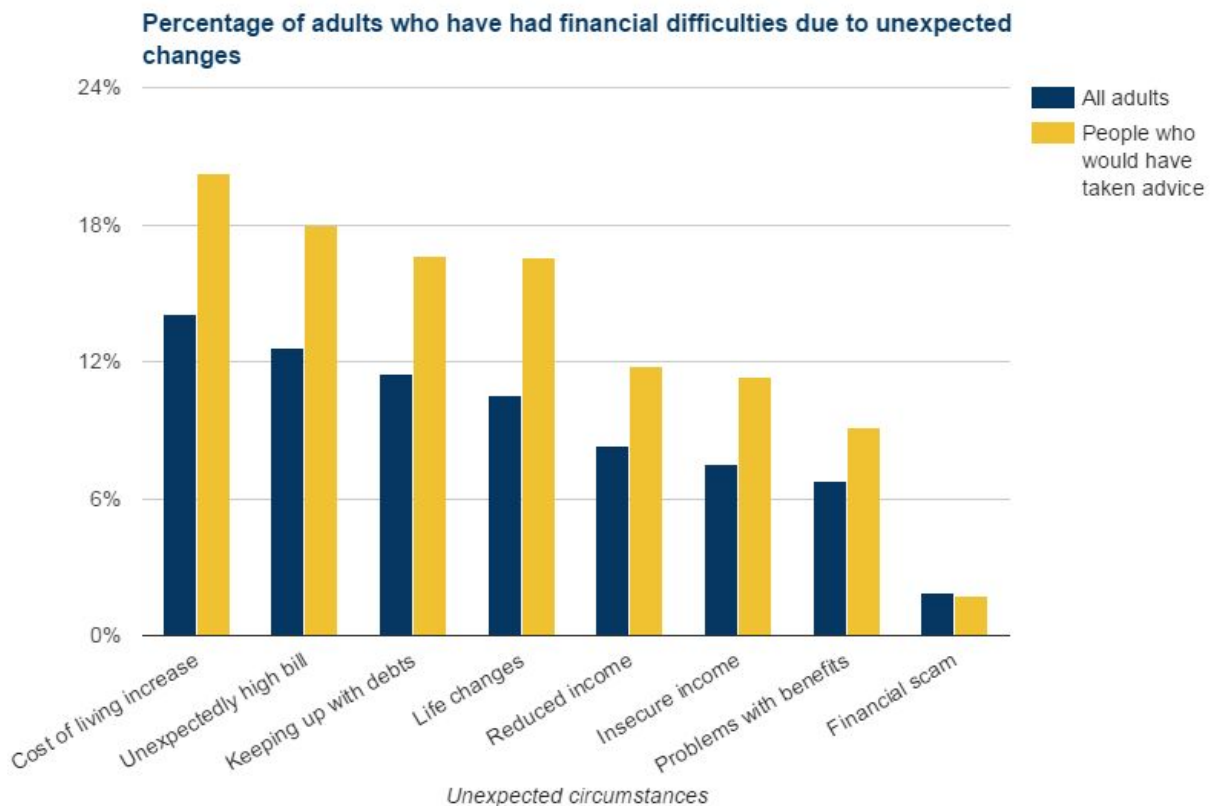


¹⁰ Money Advice Trust, (2011) [Understanding financial difficulty](#): Exploring the opportunities for early intervention

¹¹ Dearden, C., Goode, J., Whitfield, G., Cox, L., (2010) Credit and debt in Chapter heading low-income families

The fact not enough people get advice dealing with financial challenges, before they become financial problems, is further illustrated by the experiences of people who have had financial difficulties. As illustrated by Chart 3, people who say they would have taken advice if it had been offered to them at key moments in their lives are more likely to have experienced financial difficulties due to unexpected changes in their circumstances compared to the general population.

Chart 3 - The missing benefit of early intervention



It is impossible to say whether those people would have taken the advice if it had been offered to them before they got into difficulty. But it is clear that people who have had financial problems are more likely to recognise that they would have benefitted from money advice.

The lack of advice offered to people when they experience unexpected changes in their lives contributes to, as well as being a result of, an idea that money advice is a service of last resort. Government should support the advice sector to do more to provide early intervention advice which helps people avoid getting into financial difficulties when they go through changes in their lives.

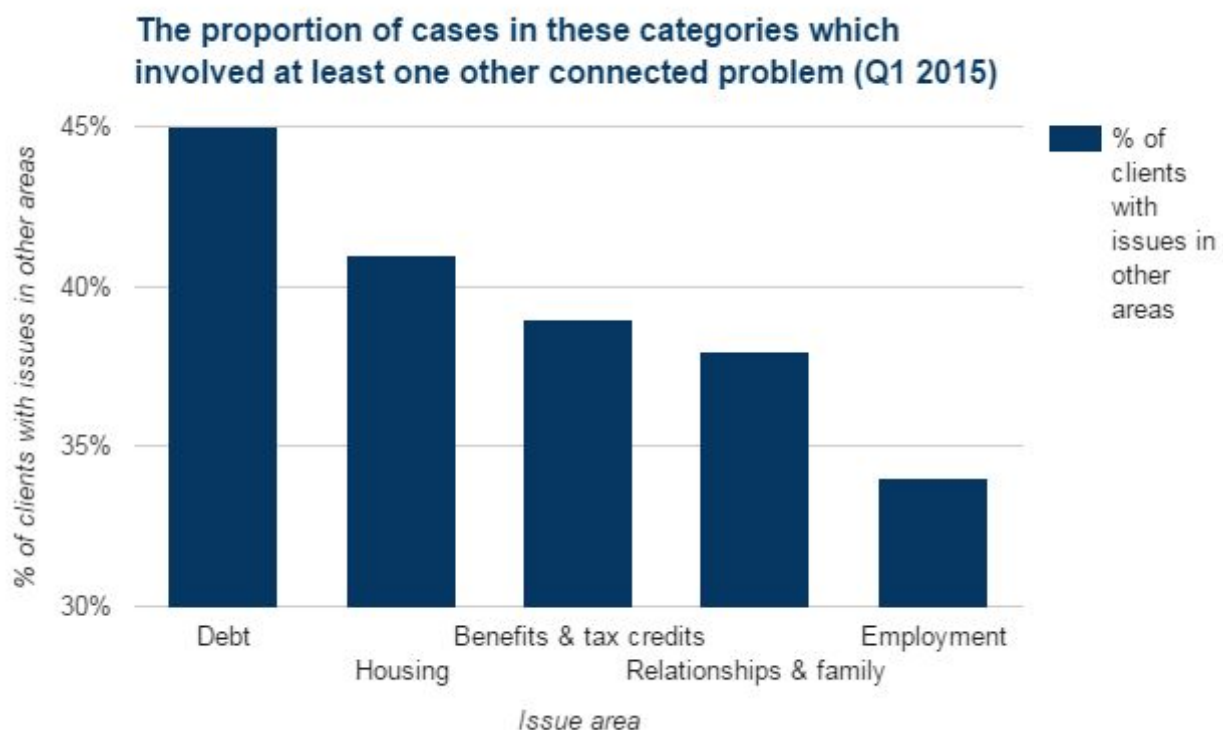
iii. Advice is too narrow

Too much public financial guidance is offered as a distinct service which fails to deal with the root causes of people's financial problems. This has two elements:

- Advice does not help people **deal with the causes** of their financial problems. People's financial problems are often caused by wider issues in their lives that are not dealt with in the money advice system.
- Debt advice is still too **separate from general money advice**. People who have problems dealing with their debts are the most in need of broader money advice; help budgeting, saving and choosing financial products.

The first element is powerfully illustrated by the experience of Citizens Advice debt advisers. As shown by Chart 4, 45 per cent of debt clients seen by Citizens Advice have at least one problem not directly caused by money issues, more than in any other of the major categories of problems seen by Citizens Advice. Problems with housing, employment and welfare are particularly common.

Chart 4 - Debt issues are closely related to other issues in people's lives



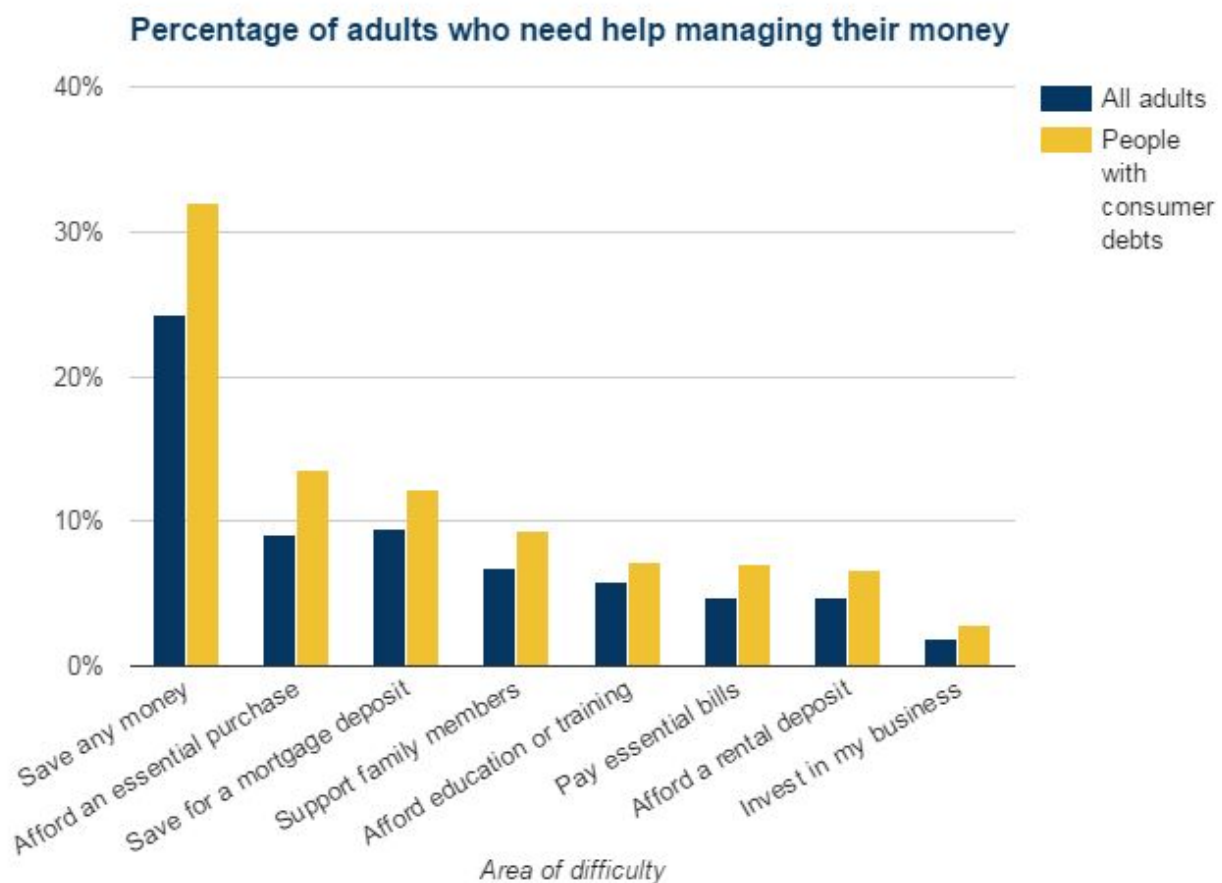
That data is supported by polling showing that half of people who have had money advice (both free and paid for) in the past two years had non-financial issues.

The good news is that, of those who received free advice (where we have data) the majority got help with their wider problems; 40 per cent had their non-financial issue dealt with and 28 per cent were referred to an organisation who could deal with

their issue. However, that means 28 per cent of people who have had money advice did not have their wider problems dealt with. Those 'non-financial issues' are often the causes of the financial problems people face. Effective money advice, that aims to prevent people falling back into financial difficulty, needs to deal with those problems.

The second element is the divide between money and debt advice which are funded, commissioned and, too often, delivered separately. People who hold consumer debt, despite being wealthier and more financially confident on average, are the most in need of broader money advice, as Chart 5 shows.

Chart 5 - People with consumer debts are more likely to need general money advice



Money advice is too often built around a distinct aim of improving money management without always looking to deal with people's wider circumstances. Money advice needs to be delivered alongside general advice, particularly where people are in financial difficulty, and the systems of debt and money advice need to be more closely integrated to target money advice at those who need it most.

How can advice be more preventative?

In interviews with money and debt advisers, they identified the ways that money advice can be made more preventative and the benefits of that advice. The examples of innovative practice they highlighted point to how a more preventative advice system might be delivered.

i. Advice at key moments in people's lives

Our polling found that people were significantly more likely to say they would have taken money advice if it had been offered to them during key life moments such as leaving university or having a baby. One method of doing that is to offer advice alongside the services people use at key moments in their lives. Local Citizens Advice offices already deliver advice at over 2000 locations alongside other services, such as children's centers, schools and colleges, GP surgeries, hospitals and courts. That approach to preventative advice has three clear benefits:

The beneficiaries of advice are often already using services - Where major changes in people's lives require them to access public or private services, it is an opportunity to make advice services more visible. That benefit chimes with findings from national polling which found that making advice easier to find would make them more likely to take advice.¹²

An adviser, who provides advice at children's centres in Oldham, highlighted that people were more likely to seek advice where they were familiar with the service they were using. *'People are familiar with the service, they're not nervous, they know people there. People who would not get advice, or could not, can get help.'*

Another adviser, in Bracknell, recognised the importance of providing advice where people already had relationships with professionals they trusted. *'People are already discussing issues and things with staff. The staff at the children's centre can help the parents by offering, through advisers, the extra support that families and children need.'*

Citizens Advice provides advice services at more than 200 **children's centres** regularly and another 280 irregularly. At **Citizens Advice Bracknell** they work in partnership with two children's centres regularly to provide financial health checks and ensure parents are maximising their incomes. Parents can make appointments through adviceline or through the centre when they need help.

Advisers can offer tailored advice services - The advice needs of individuals change hugely over the course of their lives. A young family will have different needs and questions to someone entering retirement or leaving the army. Advisers and

¹² Six per cent of adults in the UK said they would be more likely to pay for advice if it was easier to find.

managers of advice services highlighted the benefits of having workers who were dedicated to providing advice alongside specific services to particular cohorts of the population

An advice manager who is responsible for money advice offered on a university campus highlighted the benefit to advisers of offering that distinct service, *'we are able to become specialists in the issues and debts that face certain groups. So for many students, their debts and financial situations are outside the main debt problems we normally see. Advisers are able to become experts in those areas.'*

Citizens Advice Oldham provides general and money advice to students at **Oldham College**. They have an adviser there one day a week who also gives students an introduction to the advice services available when they join. The service is run in partnership with the college so students can drop in when they need advice or be referred to get advice by teaching and support staff as well as peers.

Advice can be provided at the places people are already dealing with changes in their lives - A further feature commonly identified by advisers was the perceived benefit of providing advice alongside the services people use when going through major changes in their lives. The context in which the advice was offered was considered crucial.

For instance, an adviser who provides advice at children's centres in Rochdale said that being based in the centre meant *'that we see women who are expecting and who have just had a child. When they are here, they are here, they are talking about the issues they are facing; their holiday entitlement, their pay, the support they can get. They might have just taken the word of an employer, we can help them through it. When they leave and they are busy with their jobs or their children, they may not have time to seek those solutions.'*

Citizens Advice Southwark offers advice to students at **London South Bank University**. The service works closely with existing advice and welfare services at the university to compliment their existing expertise, in particular by providing money and debt advice. One of the main roles of advisers is ensuring that when students start courses they are aware of the changes to any support they receive as assisting them to manage financially more generally.

ii. Early intervention advice

The current system of public financial guidance is built around education or crisis management. Advice services need to be provided in a way that helps people respond to changes in circumstances by intervening before people get into financial difficulties. Advisers highlighted how providing advice designed to respond to changes in circumstances rather than simply financial problems helped them to improve the advice they offered.

Advice can target the people who need it most - Embedding advice services alongside the services people use or encounter when they go through unexpected changes allows advice services to target the people who are most likely to get into financial difficulty and so have most to gain from that advice.

For instance, the local Citizens Advice office in West Oxfordshire provides an advice service specifically for service people and their families on and near RAF Brize Norton. The advice manager of that service identified the benefit of being able to target specific groups of the population: *'Where you work alongside a service, you see certain types of people, you can target groups of people who have particular sorts of issues, for instance with the forces we see problems with relationships, they are working age people, with younger families, those issues can cause financial problems.'*

A range of local Citizens Advice services provide advice services specifically to service men and women, ex-servicemen and women and their families. For instance, **West Oxfordshire Citizens Advice** provides advice at **RAF Brize Norton**. Advisers work closely with welfare teams to provide general money and broader advice to those who need it most and refer people on to specialist advisers where they have more complex issues.

Advice services can utilise the knowledge and skills of partners to intervene early - The most common recurring theme in the interviews with advisers was the benefit of working closely with other service providers. Advisers and service managers recognised the huge impact it can have when they are able to build close relationships with the service providers who are often the first point of contact when people face unexpected difficulties in their lives.

For instance an adviser highlighted the benefits of providing advice at a hospital. *'The advice is pre-emptive, people will talk about things with the staff, they are usually people who haven't got into into much debt, but are struggling to make ends meet or when something changes. You can step in during that process when people are struggling or they're really stretched. People don't go out and look for solutions until they have a problem to solve, this is us approaching them, before they get into a crisis.'*

As seen in Figure 2, those changes might be minor events such as a large energy bill, or more substantive changes such as a major illness. In both situations advice services should be reactive and aim to prevent that issue becoming a major financial problem.

Citizens Advice Hull provides advice services in 19 **GP surgeries**. The service, run in partnership with the local Clinical Commissioning Group, provides a mix of drop-in advice sessions and referrals. GPs and other members of staff can make referrals to advisers as well as to advisers at another surgery. The advisers provide general as well as debt advice and refer people to specialist advisers where they need additional support.

Advice can reduce strain on other services - A third element of early intervention advice is that advice can provide a benefit to a wide range of service providers. Where people are going through changes in their lives and interacting with other services; their employer, energy supplier or a GP or hospital, for instance, being able to refer people to money advice services can reduce the strain on those services as well as help the individual.

That process of referral can be crucial in helping people to get help before money issues become money problems. For instance one adviser highlighted the benefits of working closely with family support workers. *'The support workers won't be asking them specific questions, but they might notice, you know, someone says I've maxed out my store card and they will say, do you need some help with that and tell them about our services. That person will perhaps come and see us earlier than they would have themselves.'*

Citizens Advice Wandsworth provide advice to patients and their families at **St George's Hospital in Tooting**. Advisers work with staff in the major trauma centre to ensure that patients and their families get the help they need around adjusting to any changes in their circumstances. The service provides support to people to prevent them getting into further difficulties following their treatment.

iii. Integrated money, debt and general advice

From helping nearly 400,000 people each year with debt issues, we know that people's financial problems are rarely isolated from other changes and problems in their lives. To be preventative, money advice must be closely linked to general advice services. If advice does not address the root causes of people's financial issues; employment, health and housing problems for example, dealing with the financial problems they face will only act as a sticking plaster to a deeper problem.

Advisers raised the importance of maximising people's financial resources by understanding their wider circumstances. *'Where people are working, they often have more debts, they can get credit. They are trying their best, but they can't afford their debts. It's often a case of they don't know what benefits they are entitled to so we check their benefits. Its also the same with employment, we check they are being paid at least the minimum wage, that they are getting as much work as they can.'*

Another advice manager pointed to the fact it was rare for debt clients to have a single issue. For those clients, the manager believed it was important to be able to deal with those issues, or to point them in the direction of someone who can. *'Chances are debt clients will have a housing issue. We have advisers who can either deal with a range of issues and if they can't can point them towards a specialist or one of the specialist teams.'*

Local Citizens Advice provide advice at over 100 Housing Association locations around the country. **Citizens Advice West Oxfordshire** for instance work with two housing associations to provide full time advice services to residents. Advisers provide advice from offices, over the phone and home visits. Advisers provide a full range of advice including debt and money advice and work with the associations to help clients avoid getting into debt or arrears.

Recommendation - building a system of preventative money advice

The insecurity of many people's financial positions, the complexity of the financial decisions they face and a lack of financial capability to make those decisions require a money advice system which is designed and delivered with those individuals at its heart. One crucial way the advice sector can do that is by providing more preventative advice - stepping in to prevent people getting into financial difficulties and helping them maximise their financial resources.

As the government considers how best to support people with money and debt issues they should place prevention of financial difficulties at the heart of any changes. Money advice should proactively target people going through major changes in their lives and respond to unexpected changes in their circumstances.

Offering people advice at key moments in their lives would help people maximise their financial resources, plan for the future and sort out any debts. Crucially, it would also be an opportunity to promote, prompt and facilitate the take up of government support for savers to help people improve their financial resilience and develop a long term savings culture.

A more preventative money advice system, focussed on building financial resilience and early intervention, would help people avoid rather than respond to financial difficulties.

Appendix - Advice and guidance

Throughout this report the term 'money advice' is used to describe everything from regulated independent financial advice to general money guidance. Where we refer to free advice or guidance, we mean free to the client.

There are key differences both between types of financial advice and between what constitutes 'advice' and what falls under the more general definition of 'guidance'.¹³

Broadly speaking, financial advice is regulated by the Financial Conduct Authority (FCA) and authorised to provide suggestions to consumers of the best financial decisions for them.

Within regulated advice, there is a further key distinction between 'independent' and 'restricted' advisers. Advisers, under the rule of the Retail Distribution Review (RDR) must disclose whether they provide independent or restricted services and independent advisers can provide information on a full range of products and services whereas restricted advisers will only make suggestions from a limited range of financial products.¹⁴

In contrast, 'guidance' is used to refer to the general provision of financial information and does not involve the recommendation of particular products or services. Guidance services are sometimes referred to as 'information only' services to make that distinction clear.

There is also a distinction between public financial guidance - which includes information and guidance funded directly by government or by a levy underwritten by statute - and other financial guidance provided by charities such as Citizens Advice and other organisations.

¹³ HM Treasury, (2015) [Public financial guidance: consultation](#)

¹⁴ Some restricted advisers only offer recommendations on certain firms' products, whereas others only focus on certain areas of advice such as pensions.

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Joe Lane, February 2016



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