Public financial guidance consultation – LITRG response

Employment Tax Personal tax

01 August 2016

The way the government offers guidance on financial matters such as pensions and debt is changing. Tax is an often-neglected consideration and the new pensions and general money guidance bodies must address this.

The government is proposing to change the structure of how it offers financial guidance to the public. The intention is twofold:

- *To abolish the Money Advice Service and not have a government-sponsored website or service directly offering general money advice, instead providing external funding to help others, such as third sector bodies, to bolster their services and information.*
- *To merge the functions of the Pensions Advisory Service with Pension Wise, creating a single point for government-sponsored guidance on pensions matters.*

In response to the most recent consultation, LITRG broadly welcomed these proposals. There is a clear need for a unified and co-ordinated service providing the average consumer, who cannot afford normal professional consultants' fees, with advice of high and reliable quality on matters affecting their finances, debts and pensions. At present, such free-at-point-of-use services are fragmented, can advise only from their particular standpoint, and are unable to pass clients seamlessly to specialist agencies.

LITRG advocated that an overseeing arm's-length agency, co-ordinating and distributing funding to frontline agencies (both voluntary and statutory) replaces the current unsatisfactory system, monitors the quality of the service they deliver and makes sure that smooth and effortless handovers take place between the different specialists. Thereby a simple-to-operate service will be made available for those who lack professional support through major decisions during their lifetime.

There are various pitfalls to overcome. For a start, it is increasingly difficult to differentiate between working age and retirement age, which means there is a need for close co-ordination between the two new bodies. We think the new pensions body should also cover the accumulation stage of pensions, such as auto-enrolment, as well as the decumulation stage.

Further, the relationship between any future web-based services provided by the new pensions body and the government's main web portal, GOV.UK, needs careful consideration. In some parts, GOV.UK materials stray into 'money guidance' – for example, workplace pensions. We therefore recommend that, even if basic information is maintained on GOV.UK, links to further information and sources of help should be included in the material.

Tax debt is a particular area in which the public may not be well served. It is a specialist area, requiring the practitioner not merely to advise on the management of the debt but also, unlike most areas of general debt, to investigate whether it is justly due. All too often when advisers from the tax charities challenge HMRC on behalf of clients, the supposed debt turns out to be wrong or non-existent. We therefore argue that tax specialists should be funded to train debt advice agencies in this field and provide technical back-up.

A further point of concern for tax advisers was that the consultation suggested that debt management services might in future be restricted to those authorised under the Financial Conduct Authority. LITRG's response recommended that tax and tax credits debts be excluded from any such proposal.

Read the full response on the LITRG website.