OpenMoney

THE UK ADVICE GAP 2020

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WELCOME

Welcome to the 2020 edition of OpenMoney's UK Advice Gap Report, the second year we have run this study.

The data, combined with our own experience of speaking to customers every day, gives us a particular insight into the financial lives of people of all ages and levels of wealth. It highlights the real issues presented by the advice gap in the UK and the importance of the finance industry and policymakers working together to increase the availability of regulated financial advice.

Planning the research early this year, we expected to develop last year's report and track how the advice gap has evolved both over the last 12 months and since the original advice gap research conducted by Citizens Advice in 2015[1]. The reality has proved to be quite different as the research fieldwork was conducted online by YouGov[2] during the second week of March 2020, and since then the world has changed in ways few of us could have imagined.

Every aspect of our lives has been impacted by the pandemic and, while the health and wellbeing of family and loved ones has rightly been the top priority for most, for many the financial impacts are profound. Figures from Citizens Advice show that at the end of April 12% of UK adults (6 million people) had fallen behind on a household bill due to Covid-19 and a further 13% expected to fall behind with one[3].

There is a danger that Coronavirus will be used by some as an excuse to hide existing problems. This is particularly the case with the state of many households' finances. As this research shows, much of the population was already in a precarious financial situation in the days before the crisis really escalated. Too many people were not saving for their future, too few were planning their finances in advance and not enough were able to access regulated financial advice. The events of the last few months have only amplified these problems.

> "There is a danger that Coronavirus will be used by some as an excuse to hide existing problems. This is particularly the case with the state of many households' finances."

At OpenMoney we are determined to change this. We want to make financial advice more accessible to more people, helping them take control of their money, build up savings and start investing in their future.

We believe this mission has never been more important.

Anthony Morrow
Co-founder, OpenMoney

1 www.citizensadvice.org.uk/about-us/policy/policy-research-topics/debt-and-money-policy-research/the-four-advice-gaps/

2 All figures, unless otherwise stated, are from YouGov Plc. Total sample size was 2,081 adults. Fieldwork was undertaken between 9th and10th March 2020. The survey was carried out online. The figures have been weighted and are representative of all GB adults (aged 18+).

3 https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/FINAL01_05%20-%20Near%20the%20cliff-edge_%20how%20to%20protect%20households%20facing%20debt%20during%20COVID-19.pdf

A changed world

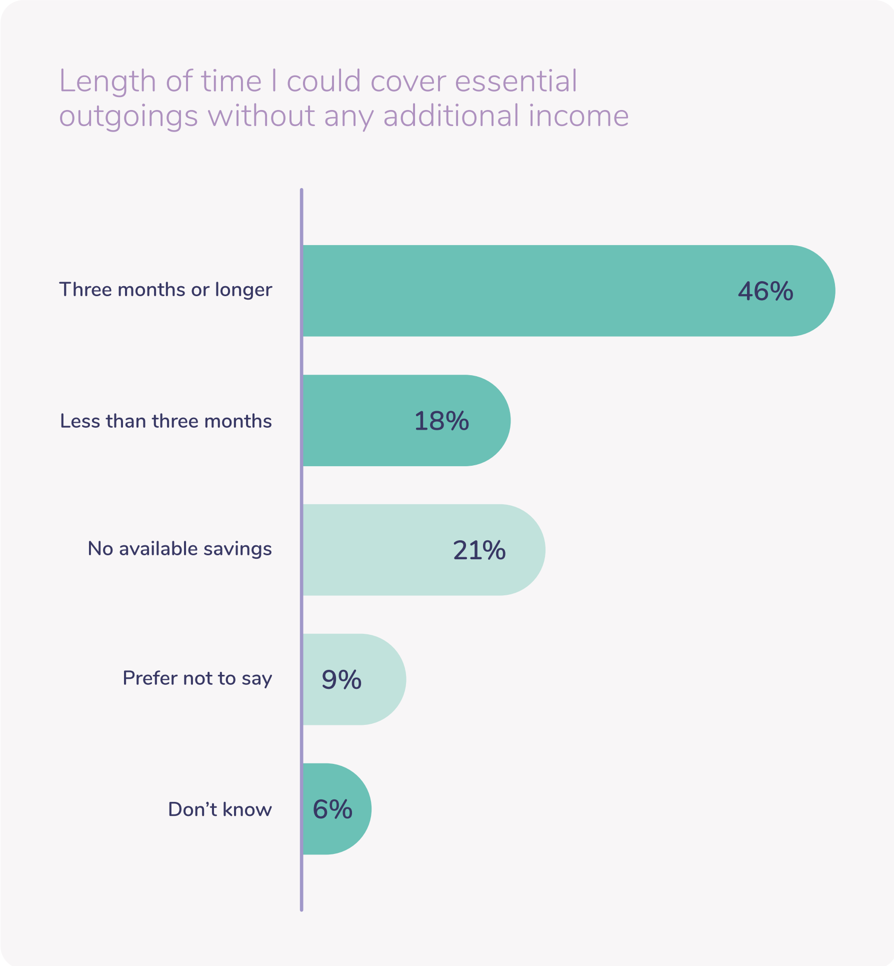
Nobody needs to be reminded just how tough the first part of 2020 has been; for tens of thousands of families, the impact of Coronavirus has sadly gone beyond financial hardship.

Financial concerns

However even those fortunate enough to emerge from lockdown with their health intact have been hit hard. In May, the Office for National Statistics (ONS) reported that over two fifths of the population said the virus was affecting their wellbeing, with just under one in four adults saying it was affecting household finances[4].

The main concern among this group was reduced income (73%) with 33% needing to use savings to cover living costs, and 10% struggling to pay bills.

However, as difficult as this period has been, many people were already in a precarious financial position. Just over one quarter (28%) of our respondents could cover essential outgoings (mortgage/rent, utility bills and food etc.) without any income for less than three months, while 21% don't have any savings at all.



Investment impact

Even those with the safety net of savings and investments were not shielded from the impacts of Coronavirus in the first quarter of 2020. The Bank of England cut the interest rate to its lowest ever level[5] and investors were faced with extremely volatile markets, with the FTSE 100 posting a 25% fall[6].

We know from speaking to our customers just how worrying this can be. It's a real-world demonstration of how valuable financial advice is, making sure investors only accept a level of risk that they are willing and able to take and that they don't make knee-jerk reactions to falling markets.

[4] https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/coronavirusandthesocialimpactsongreatbritain/14may2020

[5] https://www.bbc.co.uk/news/business-51962982

[6] https://www.theguardian.com/business/2020/mar/31/ftse-100-posts-largest-quarterly-fall-since-black-monday-aftermath

Executive summary

↑ Free Advice Gap	↓ Affordable Advice Gap	↓ Awareness & Referral Gap	↓ Preventative Advice Gap
20.8 million	5.3 million	15.1 million	20.4 million

As this is only the second year we have carried out this research we can't draw any firm conclusions on trends and changes since last year's OpenMoney advice gap report. We can, however, make some observations. We can also look at movement since the original Citizens Advice work in 2015.

2019	2020
19.8 million	20.8 million

The **free advice gap** increased from **14.5 million** people in 2015, to **19.8 million** in 2019 and now stands at almost **21 million**[7]. A rising number of people would evidently benefit from advice, but are unaware of, or unable to access, free services.

2019	2020
15.2 million	15.1 million

Linked to the free advice gap, the **awareness and referral gap** represents those who would benefit from advice but are not aware of free public guidance. It has increased from **10 million** in 2015, to **15.1 million**[9] today, but dropped slightly from **15.2 million** last year.

2019	2020
5.8 million	5.3 million

The **affordable advice gap** has remained relatively static at **5.4 million** in 2015, **5.8 million** in 2019 and **5.3 million**[8] in 2020. There is a clear segment of the population who would pay for advice if it were perceived to cost less. However, that number is not growing.

2019	2020
20.8 million	20.4 million

The **preventative gap** has fallen from **23 million** people in 2015, to **20.8 million** last year to **20.4 million**[10] today. However, there remains a significant percentage of the overall population who would benefit from earlier access to advice to prevent non-money issues damaging their finances.

[7] Calculation by OpenMoney based on 41% of the GB adult population estimate of 50,941,708.

[8] Calculation by OpenMoney based on 10% of the GB adult population estimate of 50,941,708.

[9] Calculation by OpenMoney based on 30% of the GB adult population estimate of 50,941,708.

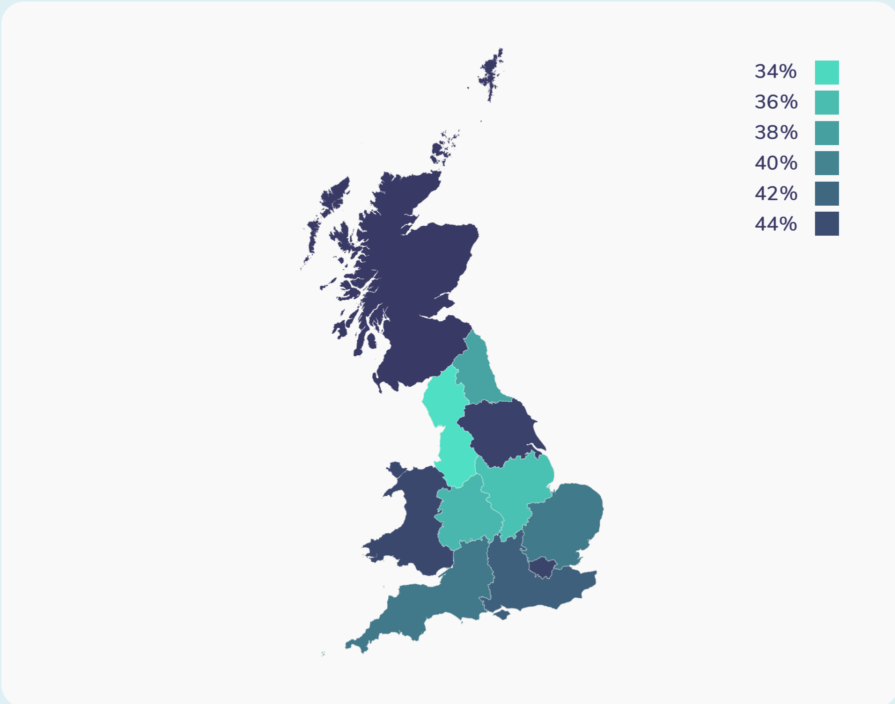
[10] Calculation by OpenMoney based on 40% of the GB adult population estimate of 50,941,708.

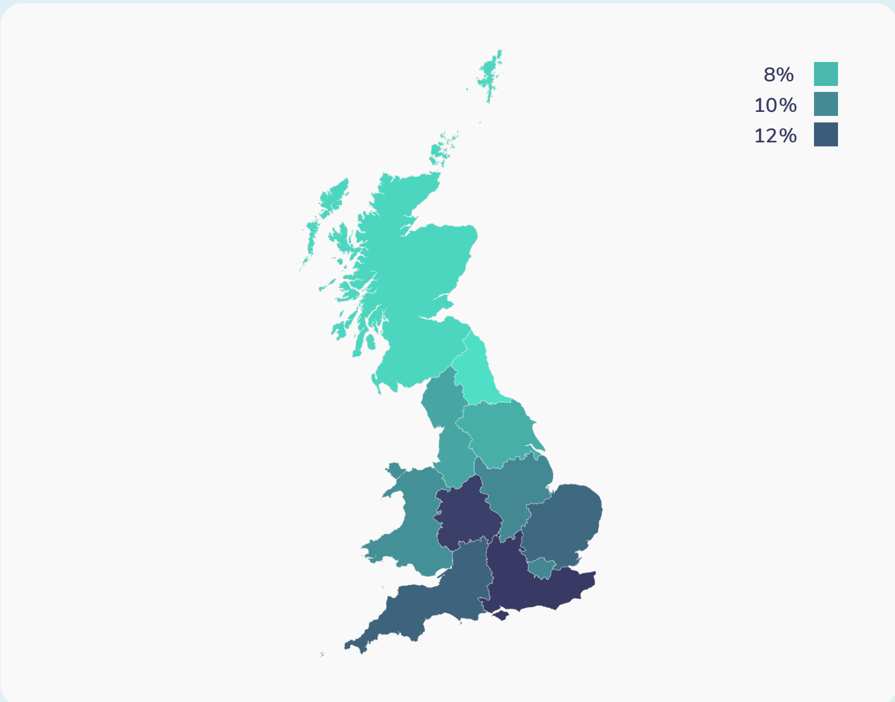
The regional advice gaps

The size of the four advice gaps varies considerably around Great Britain.

Free advice gap

Nearly **2 million** people[11] in Scotland, close to half the adult population (45%), fall into the free advice gap, while just a third (33%) of those in the North West of England would benefit from access to free advice.





Affordable advice gap

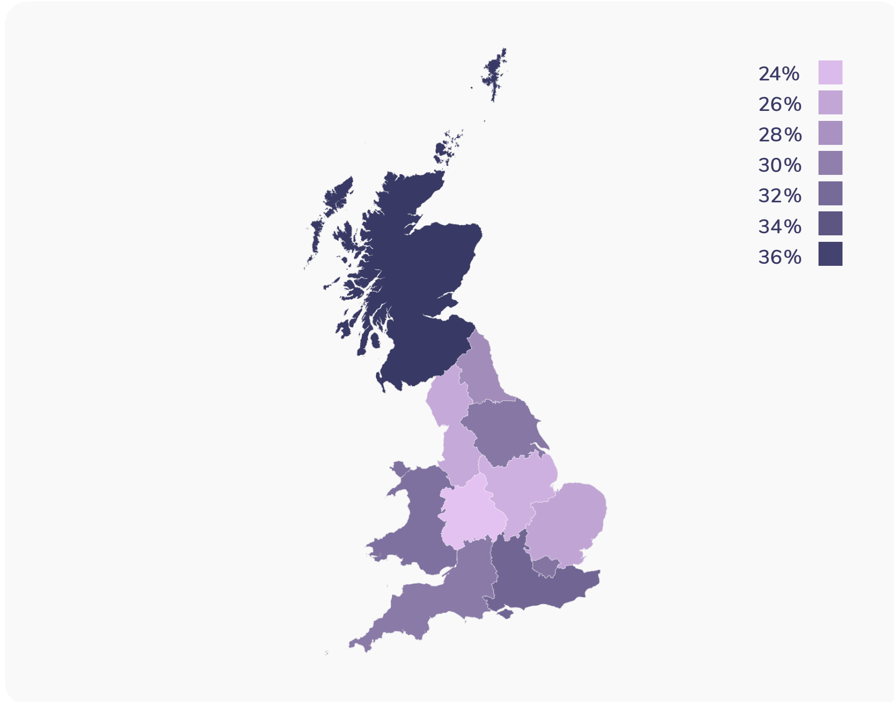
Similarly, the affordable advice gap impacts one in seven (14%) in the South East, which equates to **one million**[13] people, while just over one in twenty (6%) of those in the North East would access financial advice if it cost less.

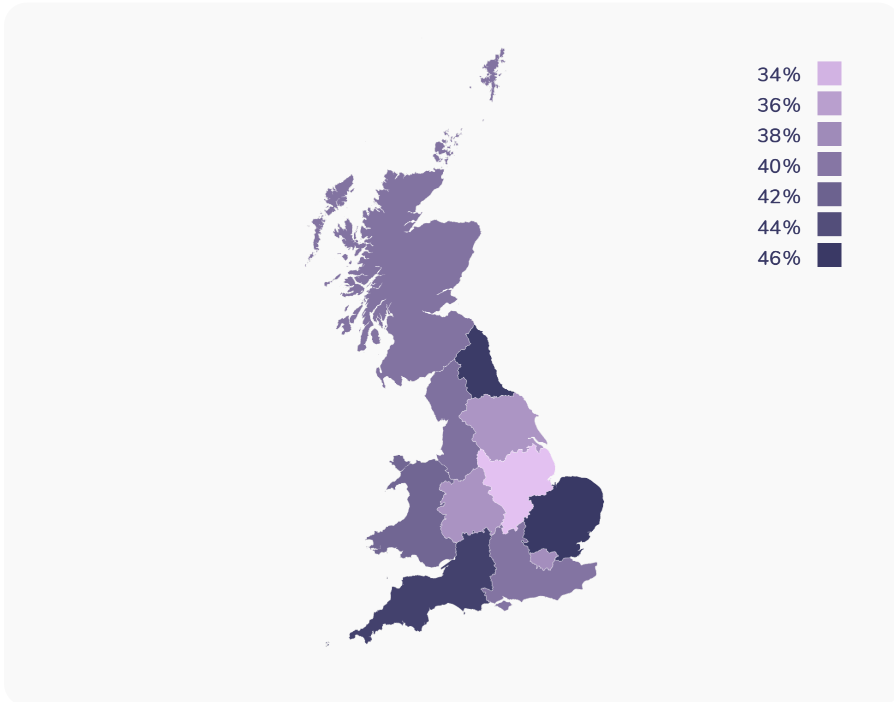
[11] Calculation by OpenMoney based on 45% of Scotland adult population estimate of 4,296,479.

[12] Calculation by OpenMoney based on 14% of the Scotland adult population estimate of 4,296,479.

Awareness and referral gap

Those in Scotland are also most likely to fall into the awareness and referral gap, with **1.6 million**[12] (37%) people who would benefit from financial advice unaware of the availability of free public guidance, compared to 23% of those living in the West Midlands.





The preventative advice gap

The preventative advice gap is most prevalent in the East of England, affecting **2.2 million**[14] people – almost half (46%) the region's population. Just a third (33%) of those in the East Midlands would benefit from earlier access to financial advice to avoid non-money issues impacting their finance.

[13] Calculation by OpenMoney based on 14% of the South East adult population estimate of 7,210,819.

[14] Calculation by OpenMoney based on 46% of the East of England adult population estimate of 4,896,722.

Maps created with Datawrapper.

Scene setting part one: defining the advice gap

The term 'advice gap' is used to describe people who would benefit from regulated financial advice but are unable to access it. The aim of this research is to understand not only the scale of UK adults falling into that gap, but more importantly, the contributing factors leading them there. Only by understanding exactly what is causing the problem can the industry hope to do something about it.

Origins of the advice gap

The emergence of the advice gap is often cited as an unintended consequence of the Retail Distribution Review (RDR), which was implemented in 2012 and intended to provide clarity about the different types of financial services available. The RDR introduced a number of changes aimed at improving interactions between consumers and the advice industry.

These changes included a ban on commission payments, higher levels of qualifications and professional development requirements for advisers. There's no doubt that these were positive steps, but they led to several providers of mass-market advice, especially high-street banks, leaving the market saying the increase in costs made providing advice uneconomical.

The robo-advice solution

Robo-advice, which entered the UK market in 2012, had been hailed as the answer to the mass market advice gap. By replacing some or all human aspects with technology, advice would be cheaper and so more accessible.

> "There is not one single advice gap… rather a series of gaps lead to a range of people missing out on the benefits of financial advice and the security it affords."

Various questions and challenges have been raised around the ability of machines to take the role of humans and to what extent advice is really involved. While there have been some success stories, this is far from a solution for everyone.

One gap doesn't fit all

In 2015, Citizens Advice published *The Four Advice Gaps: An analysis of the unmet needs around financial advice and public financial guidance*[15]. It made the crucial distinction that there is not one single advice gap, affecting those who want advice but can't afford it. Rather a series of gaps lead to a range of people missing out on the benefits of financial advice and the security it affords:

1. **The affordable advice gap**, which affects consumers who are willing to pay for advice but think it is too expensive.
2. **The free advice gap**, which impacts those who want advice but are unable to pay for it and are unaware of, or unable to access, free services.
3. **The awareness and referral gap**, which covers individuals who do not know where to get advice.
4. **The preventative advice gap**, which involves those for whom earlier access to advice could stop non-money issues impacting their financial position.

Here we assess whether these gaps still exist, and if so, whether they are growing or shrinking.

[15] https://www.citizensadvice.org.uk/Global/CitizensAdvice/Debt%20and%20Money%20Publications/Fouradvicegaps.pdf

Scene setting part two: defining our sample of British consumers

This research was conducted by YouGov between 9th and 10th March 2020. The total sample size was 2,081 British adults, and the survey was carried out online. The figures have been weighted and are representative of all adults (aged 18+) in Great Britain. Where population figures are given, OpenMoney has extrapolated the YouGov findings to ONS estimates of the GB adult population of 50,941,708[16]. Figures may not add up to 100% due to rounding, some questions having more than one answer and respondents declining to answer, or not knowing the answer to, certain questions.

The basics

- **Respondents:** 2,081 people, of whom 52% are female and 48% male.
- **Age range:** the largest single age group with 39% is 55 or over with a further 17% in each of the 45-54 and 35-44 brackets and 11% aged 18-24.
- **Employment:** full time work is most common (42%), with 15% working part time. A quarter are retired, with 5% studying, 4% unemployed and a further 10% who are either not working or 'other'.
- **Gross household annual income:** just under one third (29%) have a gross household income under £25,000 (including 5% earning less than £10,000), while a further 30% earn between £25,000 and £49,999 and 16% bring in £50,000 to £99,999. Only 4% have a household income in excess of £100,000.
- **Gross personal annual income:** as we would expect, we see higher percentages at the lower end of the scale – 49% of individuals earn less than £25,000 with 16% on less than £10,000. A further 23% earn between £25,000 and £49,999 with only 8% in excess of £50,000.

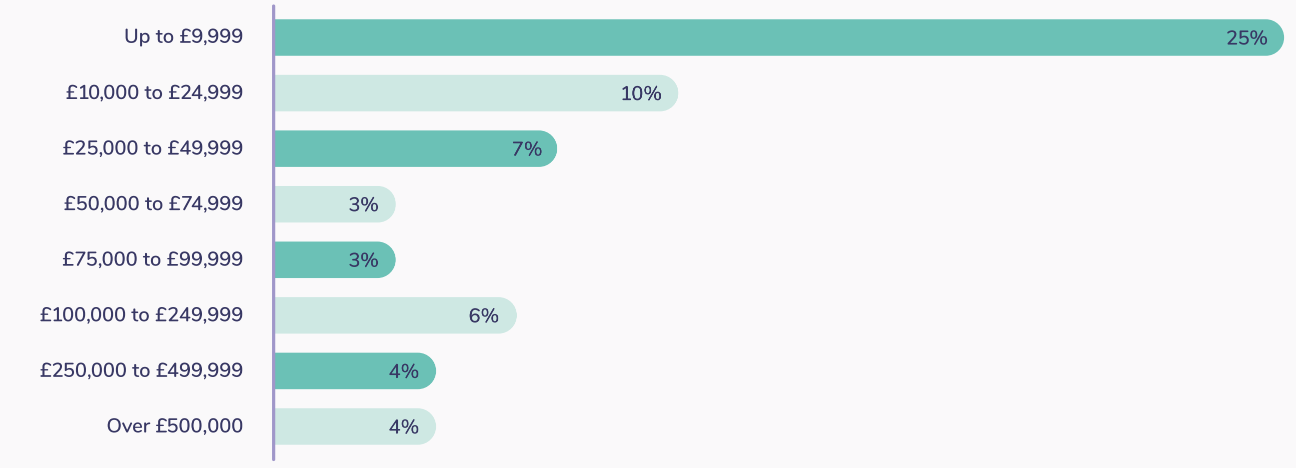
There is a very high degree of similarity between the samples for this year and last. The vast majority of data points covered here are either unchanged or vary by only one or two percentage points. While we must exercise caution around percentage movements between only two sets of recurring data, we can be confident that whatever movement we do see is between highly relatable samples.

[16] https://www.ons.gov.uk/ peoplepopulationandcommunity/populationandmigration/populationestimates/datasets/populationestimatesforukenglandandwalesscotlandandnorthernireland

Household wealth

When we talk about household wealth, we mean the total value of everything except the main home and any pension funds for those who have already retired. So that's all savings, investments and any other properties. We are, in the vast majority of cases, looking at smaller sums. One quarter (2019: 29%) have less than £10,000 in savings and investment and we must keep in mind that any cash buffer set aside for emergencies will be included in that amount.

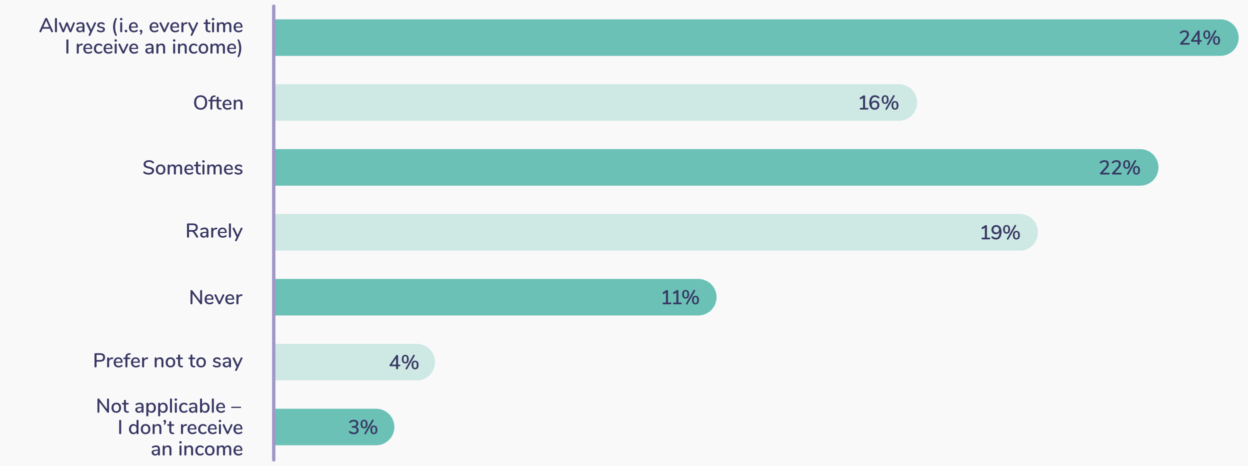
Collective household wealth



Saving for the future

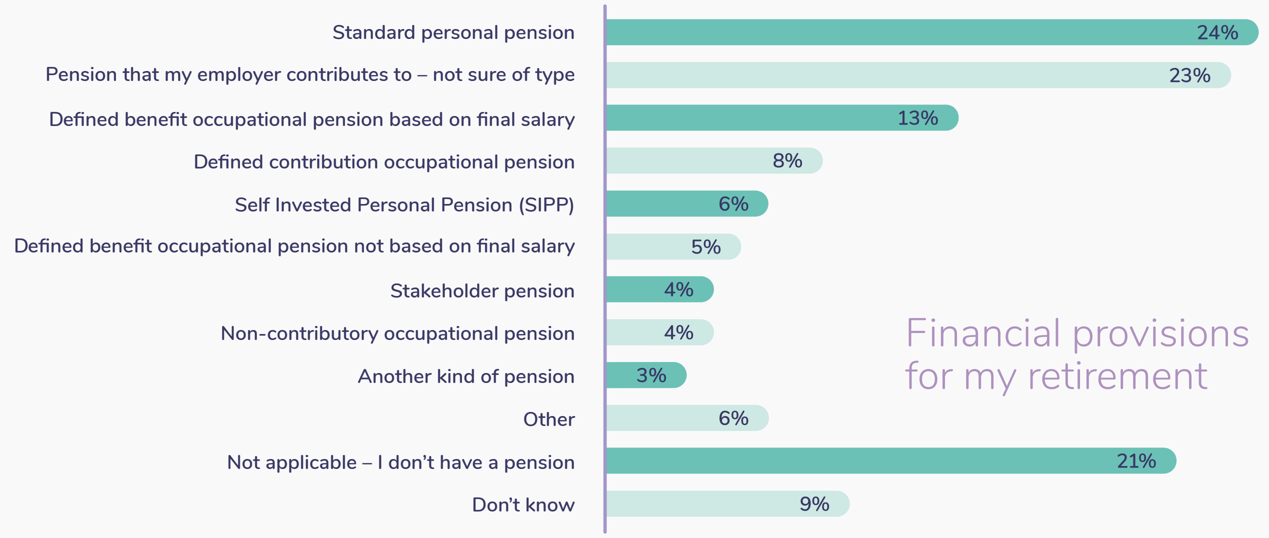
Having looked at what people have to save with overall, we asked about their ability to save on a regular basis. The results echoed what we found last year with those always saving some part of every income payment unchanged at 24%. Slightly more respondents reported saving 'rarely' (up from 15% to 19%) and slightly fewer 'never' (down from 14% to 11%).

My ability to save



Pension provision for retirement income

Retirement income is the primary saving or investing goal for most of us and one where financial advice can play a crucial role. The picture here is very similar to last year with a standard personal pension (24%; 2019: 19%) or a workplace pension to which the employer contributes (23%; 2019: 22%) most common. Auto-enrolment is probably playing a part in the slight increase here as well the decrease in those with no pension provision at all (21%; 2019: 25%).

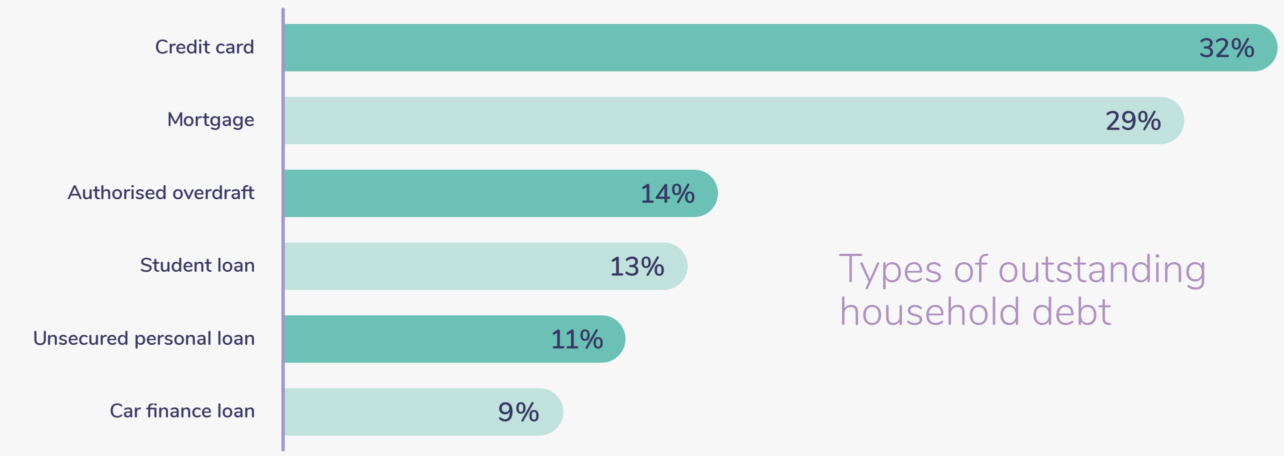


Dealing with money issues and debt

We gave our respondents the option to share their perceptions of financial advice and it proved eye opening. Most striking was the belief that financial advice is either only for people who are already wealthy or those who are experiencing financial difficulties such as debt. As one respondent neatly summarised, it is "for people with either lots of money or no money".

For many the need is arguably more around managing debt, and this is something we expect to increase as the financial impacts of Coronavirus continue to reverberate. Around one in three households reported a decline in income from employment during April 2020[17], while the DWP (Department for Work and Pensions) recorded 1.5 million new claims for Universal Credit between 13th March and 9th April, more than six times than in the same period last year[18]. Not all of these claims represent a lost job – some will relate to a short-term drop in income – but the financial impact will be felt by the individuals and households for some time to come. If there is one financial lesson to be learned from this crisis, it's the need for a cash safety net.

Sources of outstanding household debt



Types of outstanding household debt

The household debt picture is unchanged from last year with credit card (32%; 2019: 30%) and mortgage (29%; 2019: 28%) debt most common by some way. Lenders have stepped up in response to the pandemic providing almost 1.6 million payment holidays on mortgages[19], 700,000 on credit cards and 470,000 on personal loans to customers who have been impacted by Coronavirus[20]. In reality, these are delays rather than holidays. The debt still needs to be repaid, which could mean larger monthly payments in future, or paying it back over a longer period and potentially paying more in interest. In June, the Financial Conduct Authority (FCA) extended the mortgage payment holiday measures to the end of October, which will provide relief to many households worried about making repayments. There are, however, concerns that some may simply be postponing the problem[21].

The number of respondents with no outstanding household debt is down from last year (34%; 2019: 38%) suggesting that more people were struggling financially before the extremes of the last few months.

17 https://www.markiteconomics.com/Public/Home/PressRelease/3b9f4150b48944eea88395f8c8350384

18 https://www.gov.uk/government/publications/universal-credit-29-april-2013-to-9-april-2020/universal-credit-29-april-2013-to-9-april-2020

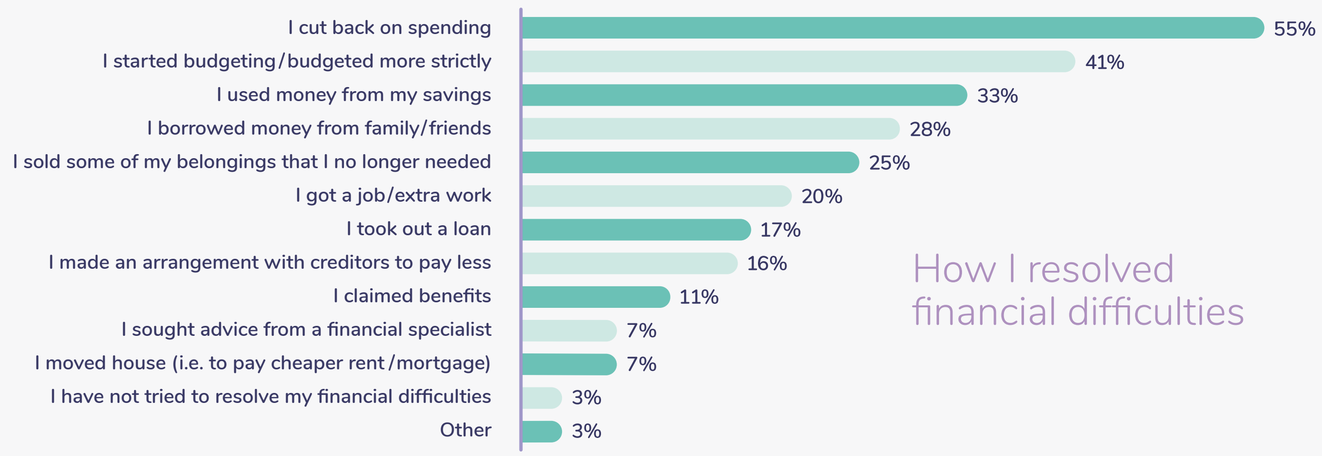
19 https://www.ukfinance.org.uk/press/press-releases/lenders-grant-1-6-million-payment-holidays-to-mortgage-holders

20 https://www.ukfinance.org.uk/press/press-releases/lenders-offer-payment-holidays-on-credit-cards-and-personal-loans

21 https://www.fca.org.uk/consumers/mortgages-coronavirus-consumers

Experience of financial difficulties

Faced with these challenges, it's no surprise that many households find themselves experiencing financial difficulties on an alarmingly regular basis. Just under half (44%; 2019: 46%) of respondents have sometimes run out of money before their next pay day, while one third (34%; 2019: 33%) have turned to short-term credit (overdraft, credit card, payday loan or buy now/pay later scheme) because they didn't have enough money for the essentials and 28% (2019: 27%) borrowed from family or friends to fund day-to-day expenses.



How I resolved financial difficulties

> "Just under half of respondents have sometimes run out of money before their next pay day."

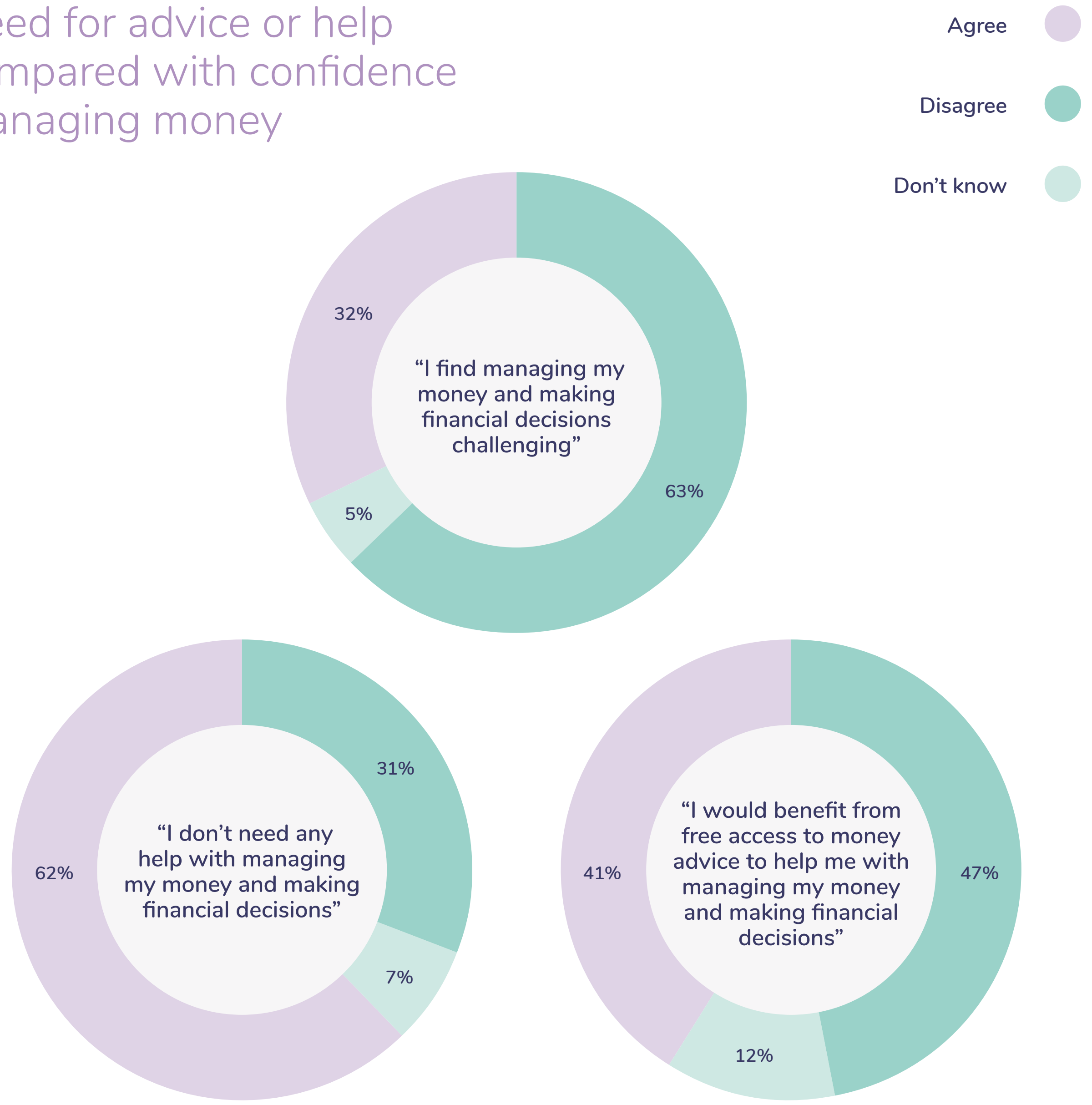
The most common way of trying to resolve financial difficulties was to cut back on spending (2019: 60%). The slight decrease in this response from 2019 suggests that there may be less fat to trim when it comes to household spending. Similarly, 41% (2019: 43%) either started budgeting or took a stricter approach, with a further 33% (2019: 37%) dipping into their savings.

Overall, 51% of our sample state that they keep up with bills and commitments without any difficulties, while 35% (2019: 36%) admit to struggling and 4% (2019: 4%) are falling behind with household expenses.

Confidence in planning and managing finances

Despite the financial challenges we have just seen, nearly two-thirds (62%; 2019: 64%) of respondents don't feel that they need any help with managing money or making financial decisions. That said, 32% (2019: 30%) admit that they find managing money challenging and 41% (2019: 39%) agree they would benefit from free access to money advice.

Need for advice or help compared with confidence managing money



Financial planning

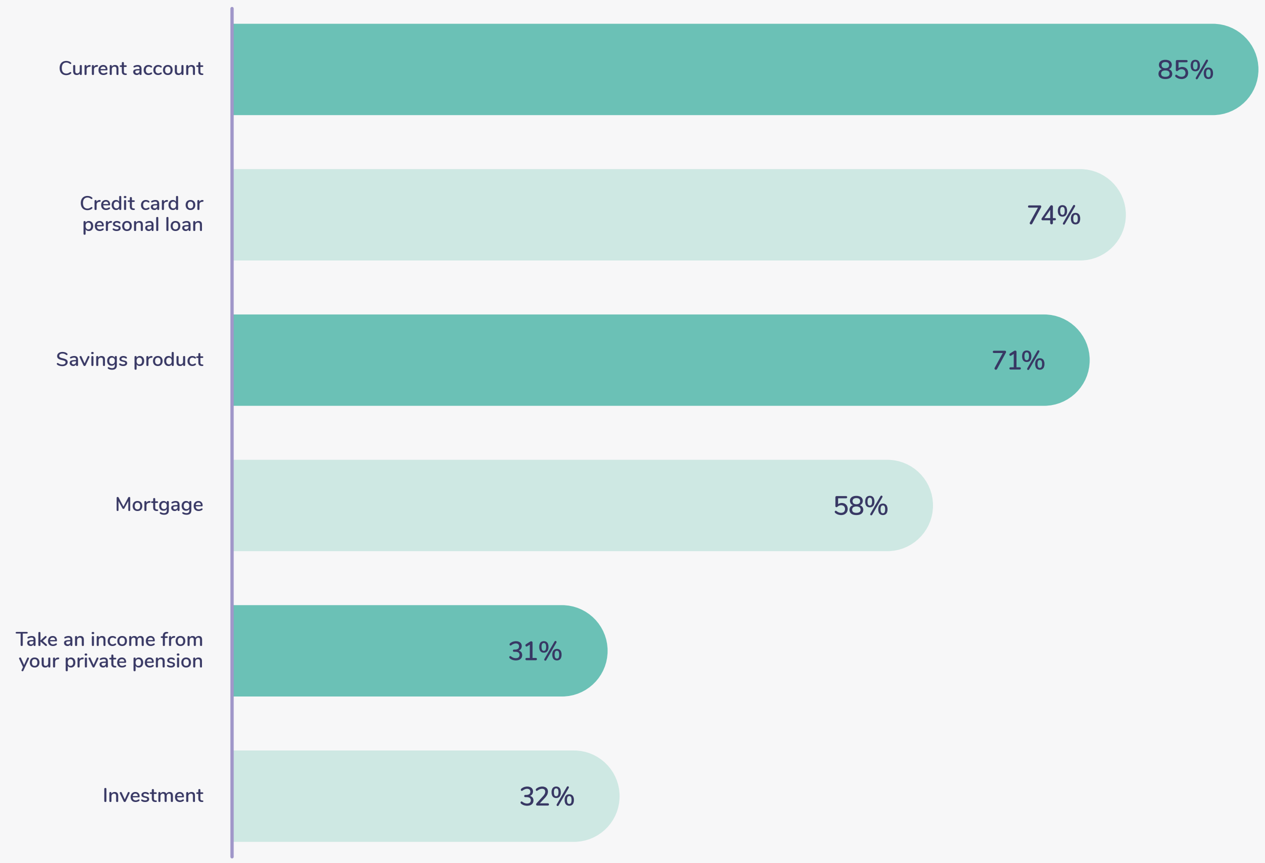
But how much does this confidence reflect the ability to manage household finances over the short and longer term? We asked how far ahead our sample plan their finances i.e. making sure they have enough money for both day-to-day expenses and large essential costs (such as replacing a household appliance, buying a house or saving for a pension). Over half plan for less than one year ahead (52%; 2019: 51%), with 24% (2019: 25%) planning one month ahead and 5% (2019: 5%) living week to week. Only 23% (2019: 21%) plan a year or more in advice while 17% (2019: 19%) don't plan ahead at all.

Confidence in making decisions about financial products

Having seen how far in advance our sample plans their household finances we wanted to understand how confident they feel in their ability to choose specific financial products.

The highest confidence ratings are for financial products most people will either use, update or review on a regular basis. Less familiar products, or those that are perceived as more complex, such as pension income or investments, score much lower with only 31% (2019: 36%) and 32% respectively feeling confident to make decisions.

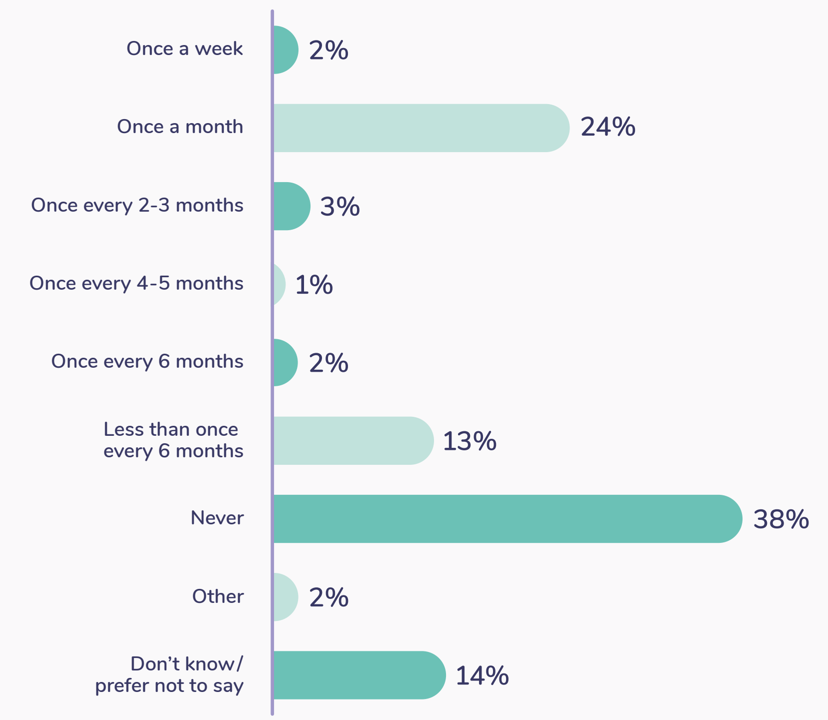
Confidence in ability to choose appropriate financial products



Investing...

Just under a quarter (24%) are contributing to an investment product (stocks and shares ISA, pension etc.) once a month. This is in line with the majority of people being paid monthly, but 7% only invest between every two to six months and 13% less frequently than that. Only 2% invest weekly, suggesting that those paid on this basis are generally earning less.

How often I invest



...and not investing

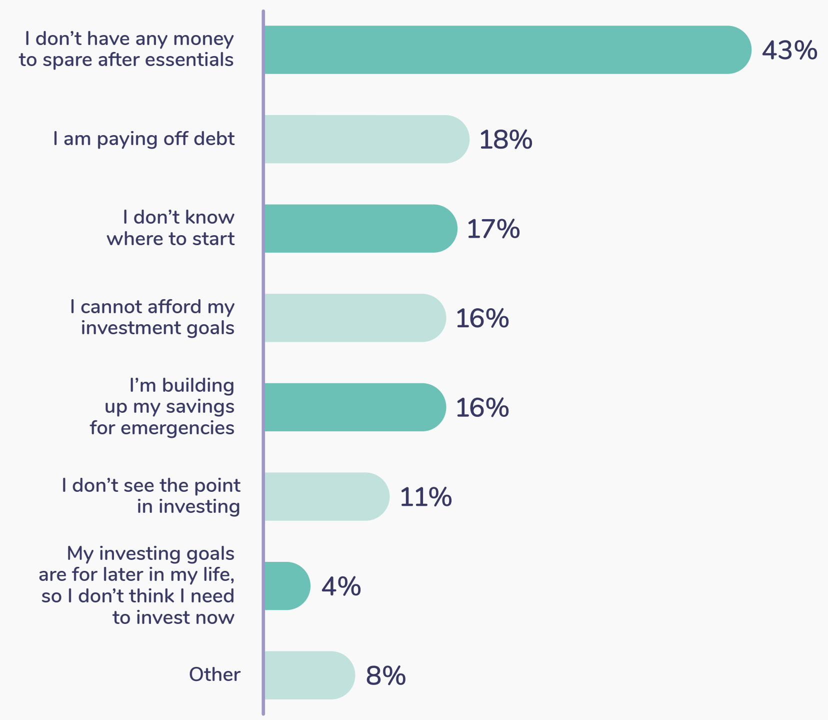
However, 38% state that they never invest any money.

The most frequent reason given by some way is not having any money to spare (43%). A further 18% and 16% are paying off debt and building up an emergency fund respectively – both of which are wise priorities ahead of investing. The other reasons given are more of a concern; these are all points where even basic financial advice could help to improve overall financial confidence and inform misunderstandings.

We gave respondents who reported 'other' the opportunity to explain in their own words why they never invest. Five common responses from this group were:

1. Retired/already taking a pension or living off investments
2. Can't afford to (including retired)
3. Risk averse/fear of loss
4. Don't agree with investing
5. Lack of trust/akin to gambling

Reasons for not investing

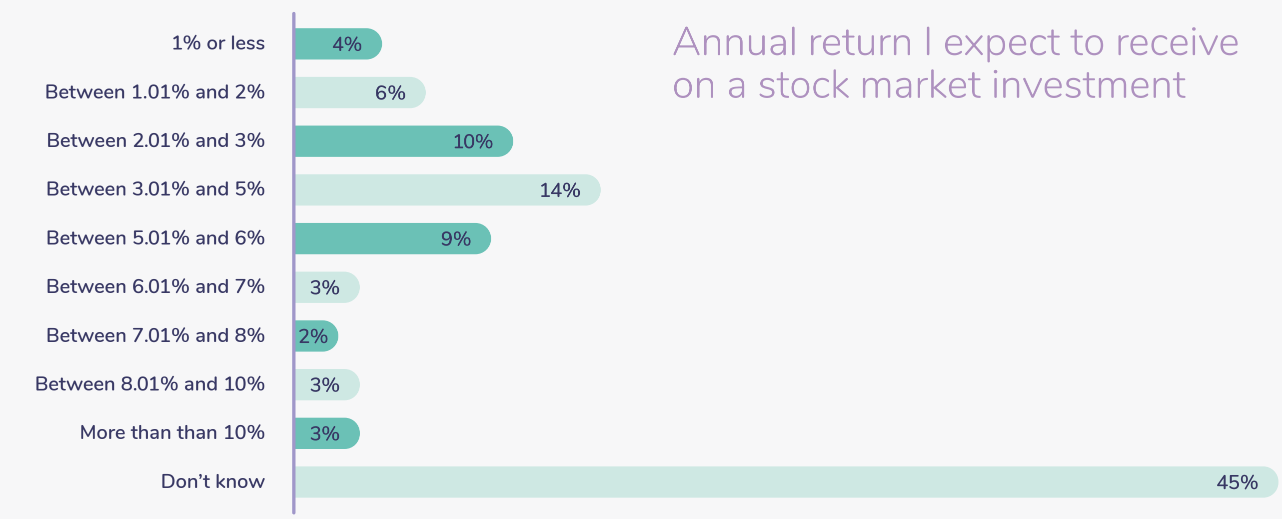


Expectations of investing

The goal of investing is to achieve a decent return; saving into cash is appropriate for an easy-access emergency fund but not for growing your money over the long term. So we asked our sample what annual return (or growth each year) they would expect from an investment on the stock market such as stocks and shares or funds issued by asset managers.

The most striking finding is that nearly half (45%) do not know. We included those who do not invest here, which will account for some of that figure. The distribution of the rest of the responses suggests that many were guessing. This in turn suggests that even those who do invest are not engaged enough to know their actual or target annual returns.

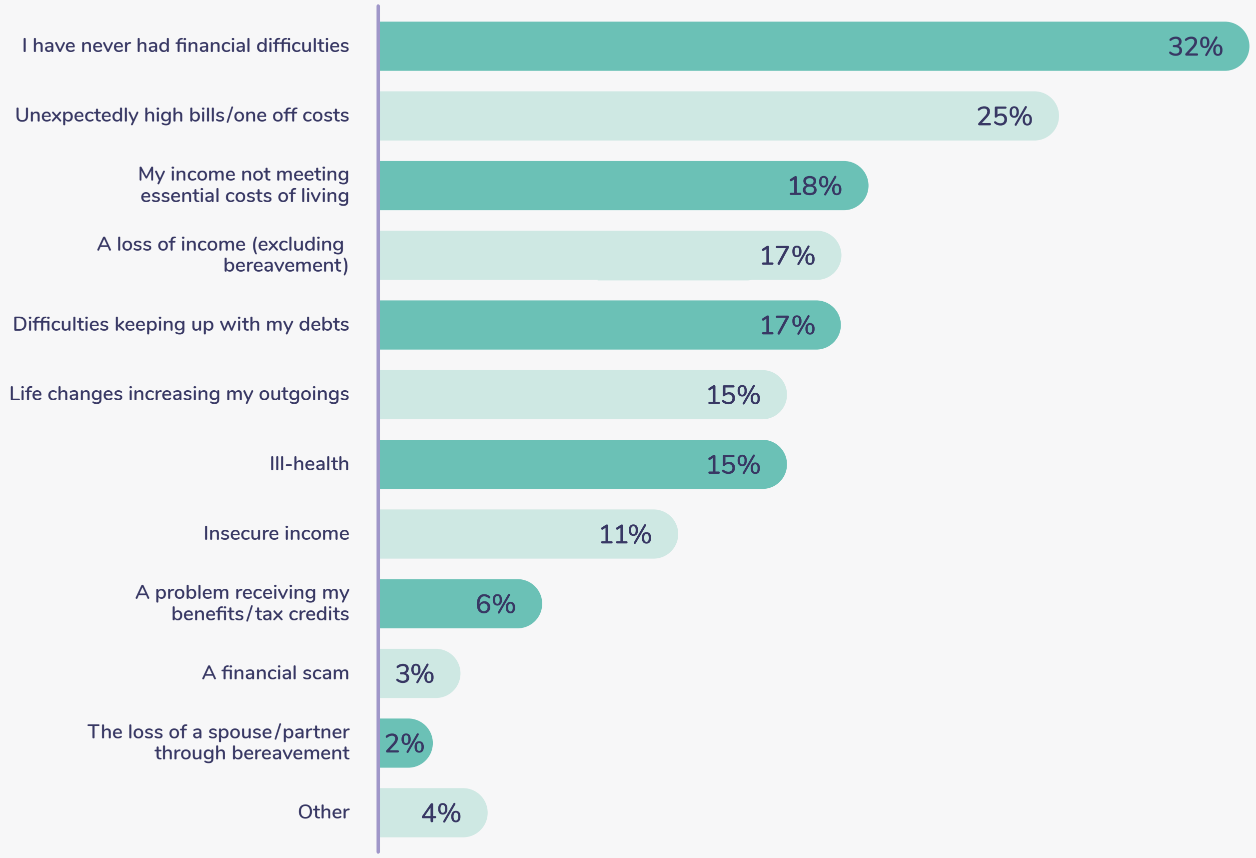
Annual return I expect to receive on a stock market investment



Appetite/need for financial advice

While the majority of our respondents are confident managing their money and planning their finances, most have experienced financial difficulties for some reason. Not all of these reasons could be foreseen but many could have been planned for or eased, either with appropriate financial advice or having money set aside for emergencies.

Causes of my financial difficulties



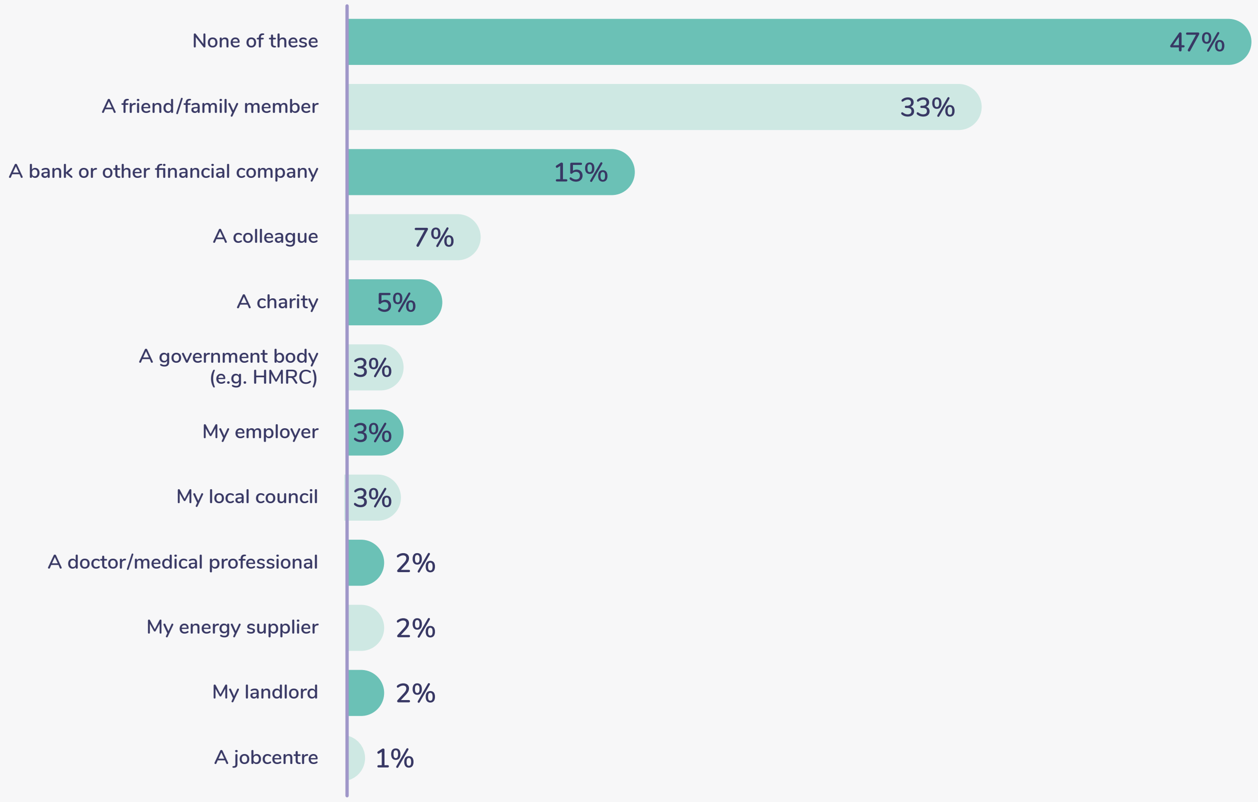
Discussing financial problems

In some cases, the nature of the financial problem will dictate the person from whom help is sought. For example, an unexpectedly high bill may lead to an energy supplier, ill health to a doctor and the need for a loan or overdraft to a bank or other financial company.

It's clear that people tend to seek help close to home rather than from an external source, with one third confirming they had discussed a financial problem with a family member or friend.

> "It's clear that people tend to seek help close to home rather than from an external source."

Who have you shared financial problems with?

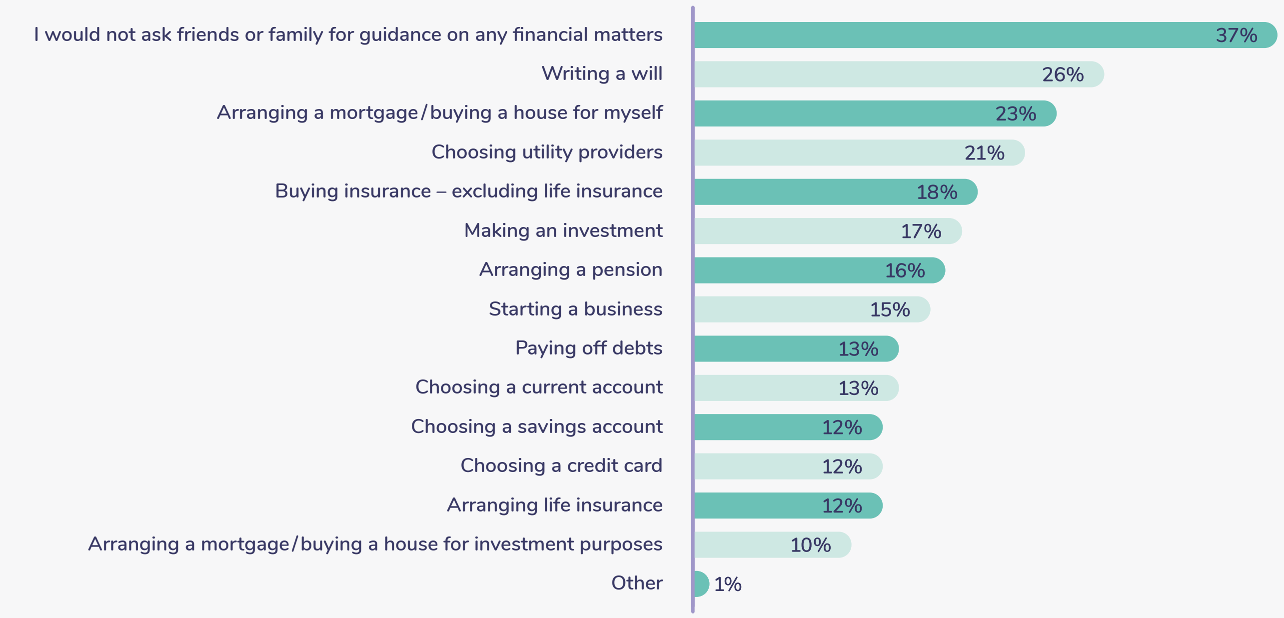


Friends & Family Financial Advice Ltd

The role of family and friends is increasingly important. The 'Bank of Mum and Dad' ranks as one of the UK's largest mortgage lenders[22] and now appears to be expanding its services into financial advice. Almost a third of those who speak to their family or friends for guidance have spent over 30 minutes in the last year doing so, and these conversations can cover a wide range of financial topics and products. While some are more straightforward e.g. choosing a current or savings account, others would clearly benefit from regulated professional advice (starting a business, writing a will or arranging a pension). Of course, not everyone is fortunate enough to be able to give financial support to friends and family or receive it. If this support isn't available, then where can people turn for help?

[22] https://www.bbc.co.uk/news/business-49477404

Products and services I would ask my family or friends for guidance on



Friends & Family Financial Advice Ltd is doing brisk business, but how much would all that help cost from a professional financial adviser?

We asked the respondents who said they would seek guidance on financial problems from their family and friends to estimate how much time in total they had spent doing so in the previous 12 months (March 2019 – March 2020). Based on an average hourly rate of £150[23], if their loved ones charged them for the time spent discussing our respondent's financial problems with them, it would cost up to £3,000.

Time spent	Cost	Percentage of respondents
0 mins	NA	37%
< 30 mins	< £75	21%
30 mins up to 1 hour	£75 to £150	15%
1 hour up to 5 hours	£150 to £750	11%
5 hours up to 10 hours	£750 to £1,500	3%
10 hours up to 20 hours	£1,500 to £3,000	1%
> 20 hours	> £3,000	1%

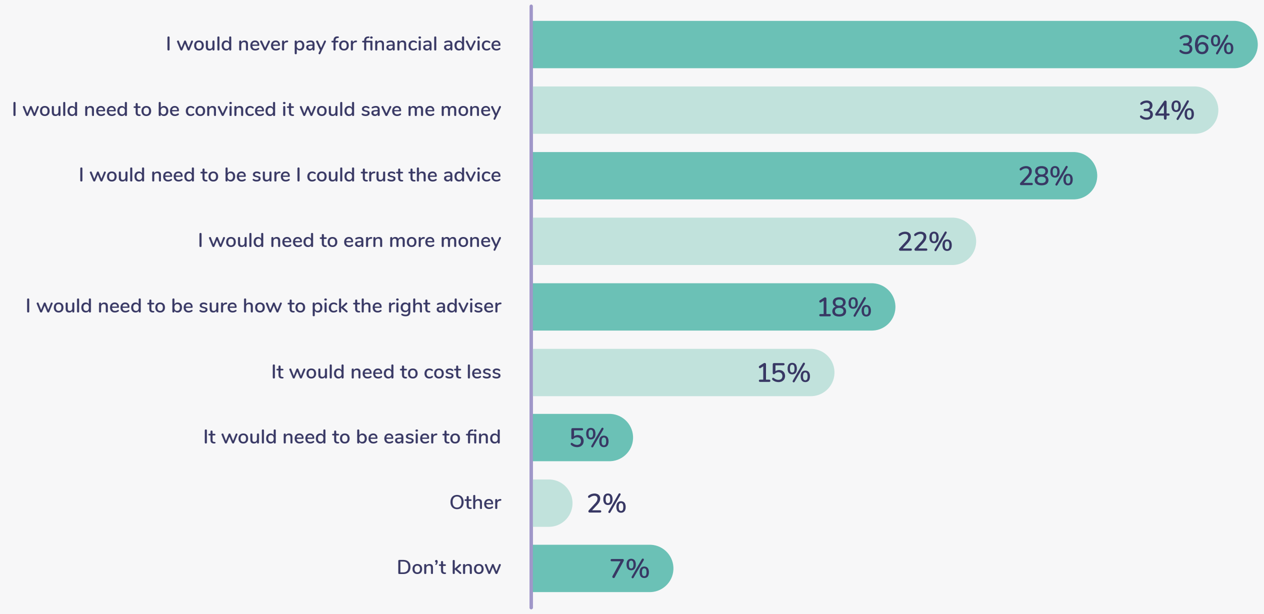
[23] https://www.moneyadviceservice.org.uk/en/articles/guide-to-financial-adviser-fees

Appetite for paid-for advice

When we asked those respondents who had not paid for financial advice in the previous two years how likely they were to do so in the future, the result was clear; 79% (2019: 77%) are unlikely to pay for financial advice and only 11% (2019: 10%) likely.

What, if anything, would change that?

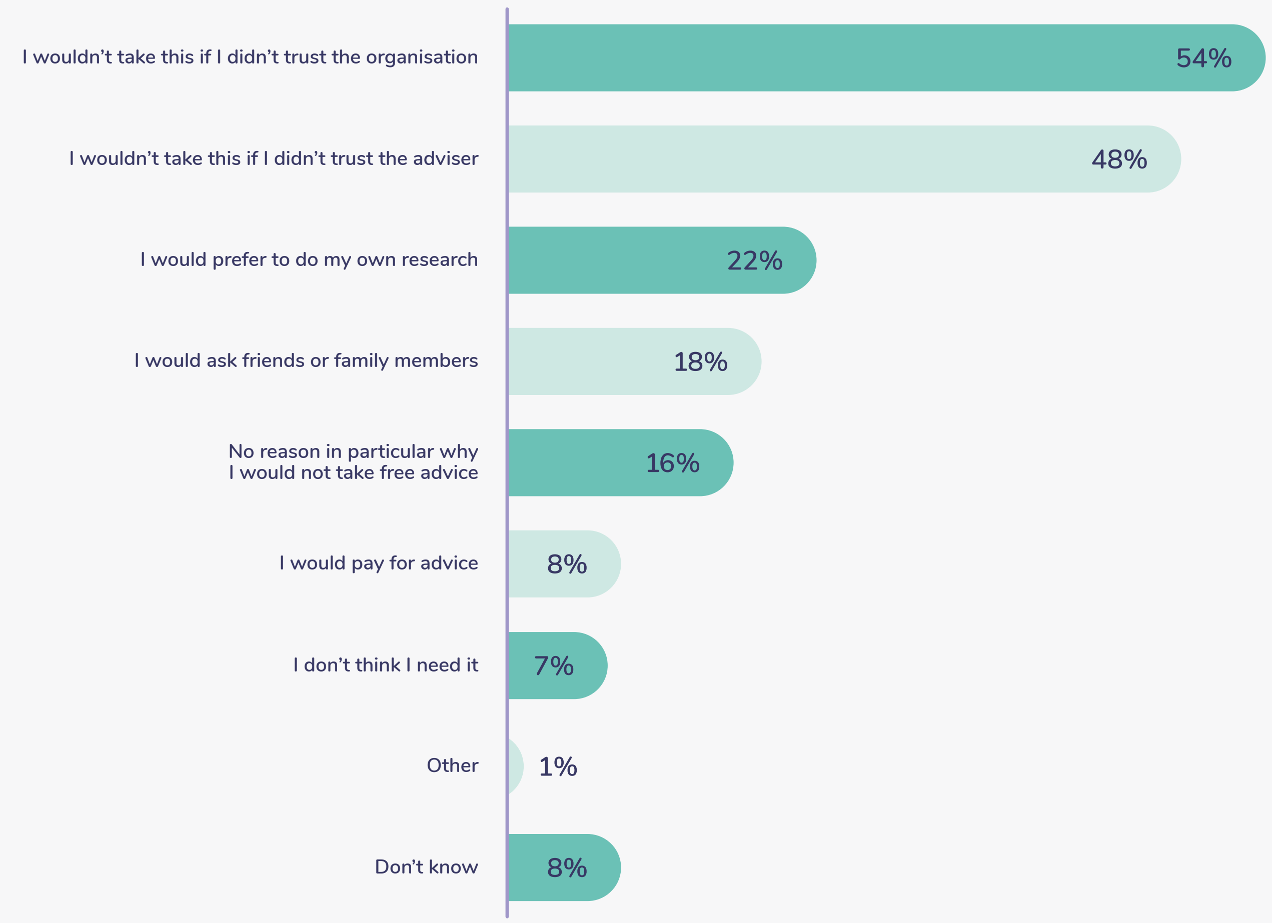
What would encourage me to pay for advice?

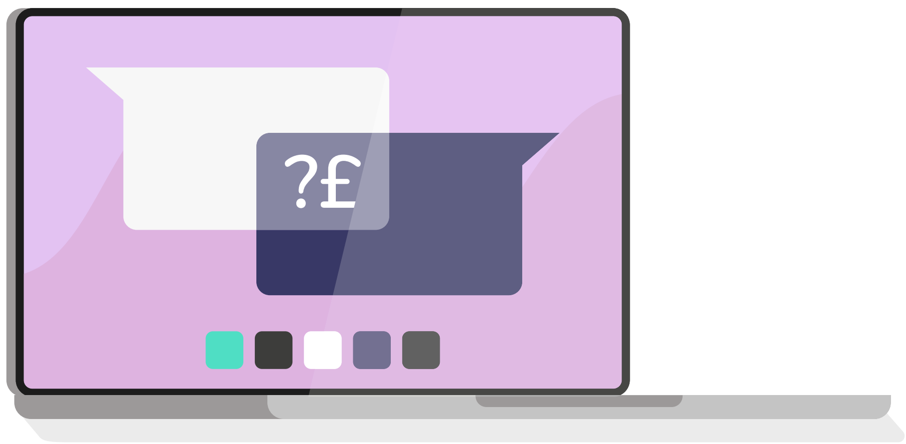


> "79% are unlikely to pay for financial advice and only 11% are likely."

The two main themes to emerge were cost and confidence. While only 15% (2019: 17%) stated explicitly that advice would have to cost less, a further 22% (2019: 21%) would need to earn more and 34% (2019: 35%) would need to be sure it would save them money overall. There is a lack of confidence both in their ability to select the right adviser (18%, 2019: 21%) and in being able to trust the advice (28%, 2019: 31%).

Reasons I would not take free advice



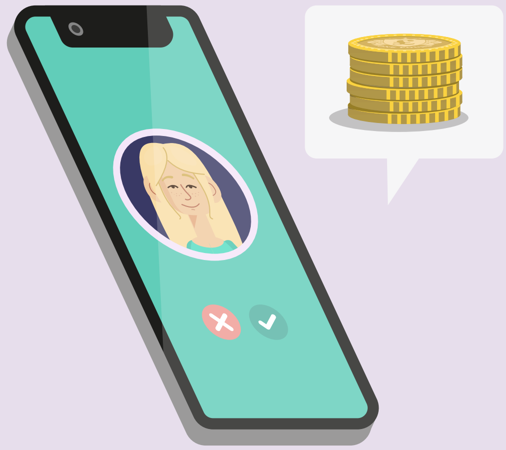


Appetite for either free or paid-for advice

We gave our sample a range of financial situations and asked which they would consider financial advice for. Where they were willing to pay a fee for professional advice, we asked the maximum amount.

Financial event	Would consider advice, but not pay for it	Would consider paid-for advice	Maximum advice fee	
Choosing a current account	53%	6%	Up to £99 £100 to £199 £200 to £499 £500 plus	5% 0% 0% 0%
Choosing a credit card or personal loan	50%	7%	Up to £99 £100 to £199 £200 to £499 £500 plus	6% 1% 0% 0%
Choosing a savings product (e.g. cash ISA, savings account etc.)	45%	12%	Up to £99 £100 to £199 £200 to £499 £500 plus	10% 1% 0% 1%
Paying off your debts	37%	18%	Up to £99 £100 to £199 £200 to £499 £500 plus	14% 2% 1% 1%
Arranging a pension	26%	30%	Up to £99 £100 to £199 £200 to £499 £500 plus	20% 6% 2% 2%
Arranging a mortgage/ buying a house	25%	32%	Up to £99 £100 to £199 £200 to £499 £500 plus	16% 8% 5% 3%
Making an investment	23%	32%	Up to £99 £100 to £199 £200 to £499 £500 plus	22% 6% 1% 2%
Starting a business	18%	31%	Up to £99 £100 to £199 £200 to £499 £500 plus	13% 8% 5% 5%
Writing a will	16%	54%	Up to £99 £100 to £199 £200 to £499 £500 plus	35% 13% 5% 2%

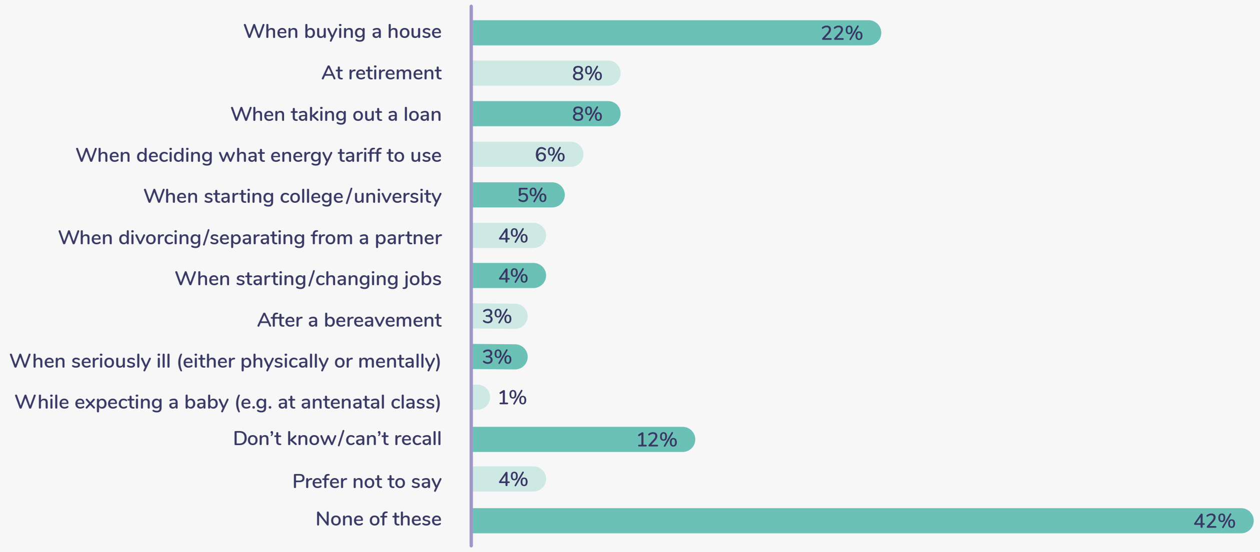
Experience of advice or guidance



Sources of advice

Over two fifths (42%) of our respondents have never been offered money advice in the situations outlined below. Clearly far more can be done to reach people during times of possible financial upheaval, like when they are starting university, having a baby, divorcing or following a bereavement. Offering money advice around these key life events could help prevent financial issues further down the line.

Times when I have been offered money advice



The three most commonly accessed sources of free advice over the last two years were MoneySavingExpert.com (11%; 2019: 10%), StepChange (11%; 2019: 9%) and Citizens Advice (8%; 2019: 8%). Over a third of respondents who have accessed free specialist money advice (36%) found the advice through their own research, down from 40% in 2019, while a fifth (21%) followed the recommendation of friends or family, up from 16% last year, and a further 19% (2019: 15%) were referred by another organisation or a professional they approached for help.

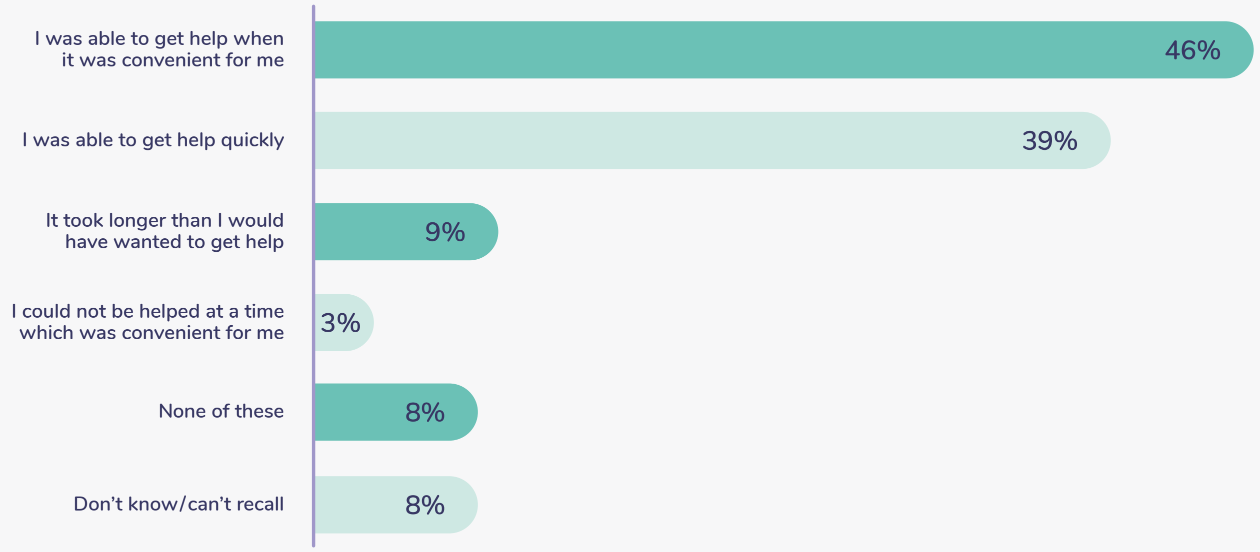
Experience of asking for help

Year on year, it seems we may be starting to talk more about our money issues. Although nearly half (47%) of our respondents haven't shared a financial problem with anyone in their life listed in our survey (such as friends and family, colleagues, a doctor, landlord, the council or a financial organisation), this has fallen from 69% last year. A problem shared does seem to be a problem halved. Over half of those that have gone to a listed person for help (51%) found that whoever they spoke with was able to help with their problem, slightly up on 47% last year.

A further 8% were either told where they could find help or referred directly for further support. This figure is up from 5% in 2019 but could simply reflect more people receiving the help they needed in the first instance. While it is not accessing regulated financial advice, this first step to addressing money problems is an important one.

For those who turned to a specialist individual or organisation for money advice, the experience continues to be positive. The vast majority (86%; 2019: 86%) found it fairly or very helpful, almost half (46%; 2019: 49%) were able to get help when it was convenient for them and nearly two fifths (39%; 2019: 35%) were able to get help quickly.

Experience of specialist advice



Similarly, around a fifth (21%; 2019: 20%) of those accessing free money advice were also able to get help with other problems, for instance with housing, benefits or health, which may have caused, or been caused by, the need to seek money advice, either from the same organisation or via a referral elsewhere. Similarly, although only one in ten of our respondents have paid for financial advice in the last two years, 16% of those also received help with other problems. This is an increase from 6% last year.

The perception problem

Our research tells us that when people take specialist money advice the vast majority have a good experience. And yet in the last two years only 12% (2019: 10%) of our respondents have accessed free money advice and just 10% (2019: 9%) have taken paid-for advice.

We invited our respondents to share their perceptions of financial advice and the results were telling. The word that frequently came to mind on hearing the term 'financial advice' was 'expensive', followed by 'untrustworthy', with the likes of 'scam', 'con', 'rip-off' and 'money grabbing' also prevalent. Despite long-standing legislation banning its use, commission was also mentioned several times.

While more positive words were used by many respondents, with 'managing money' a common association along with 'help', 'expert' and 'trust', they were largely outweighed by the negatives. If the industry is to close the advice gap and help improve people's financial futures, we first need to tackle the perception gap.

Advice versus guidance

We also asked respondents what differences, if any, there are between financial advice and financial guidance. A large number admitted that they simply don't know, but those who did answer revealed a great deal of confusion about the terms, as well as some distrust.

Commonly, people feel advice and guidance mean the same: "No different, it's just a play on words to make you think it's two services", "None – just different terminology to fool the fools", "No difference, would not trust either!", "None....both trying to rip me off".

Several believe that the difference is largely down to cost: "Don't see any real difference in what you would be told, main difference is that advice would normally be charged", "Guidance is free but advice is paid for", "Advice sounds expensive".

Others feel advice is more sales led and lacks independence, with several referring to commission: "Advice [is] selling, guidance is not pressurised", "Financial advice may be biased towards a product for which the adviser receives commission", "Guidance is everything being covered, advice is from a person who will get something back from the companies they promote", "Financial guidance is free. Financial advice sounds expensive and I suspect the competence and impartiality of those giving the advice".

Many do recognise that advice, unlike guidance, is regulated, requires qualifications and gives a personal recommendation: "Financial advice should be by a registered professional – guidance can be given by anyone", "Guidance is generic, advice should be tailored to your circumstances".

However, quite a few respondents got advice and guidance the wrong way round: "Advice gives wide generalised information. Financial guidance should give personalised direction to specific appropriate products", "Financial advice just provide[s] information on financial products. Guidance provides a structure on how to manage finances and their correct distribution".

Most financial advisers work very hard to provide trustworthy, suitable, client-centred advice, but many people find it hard to differentiate between regulated advice and generic guidance. Worse still, there is a strong theme of distrust around the impartiality of advice and the value it provides.

> "Many people find it hard to differentiate between regulated advice and generic guidance."

Conclusions

There's no escaping the fact that Covid-19 has had a profound financial impact for many since we conducted our advice gap research in March 2020. As the country emerges from lockdown and gradually finds its way through the 'new normal', the reality is that it will take millions of UK adults years to recover from the financial implications of the biggest social crisis of our generation.

But, however concerning that prospect is, let's not lose sight of the fact that many of our respondents were already struggling even before that point. Some 60% (2019: 44%) reported having some form of household debt and 44% (2019: 46%) had run out of money before their next pay at least once in the previous year. The need for accessible, affordable – and particularly free – advice has never been greater.

The advice gaps

This need is reflected in the increasing free advice gap, with an estimated 20.8 million[24] GB adults who would potentially benefit from advice unaware of free advice services or unable to access them, an increase of 1.1 million over the last year.

The other three advice gaps have all fallen to some extent, although the movement is slight and we must be cautious when looking at only two sets of recurring data. The awareness and referral gap – where people would benefit from advice but are not aware of free public guidance fell by about 100,000[25], the affordable advice gap (those who would pay for advice if it were perceived to cost less) decreased by around 500,000[26] and those GB adults who would benefit from earlier access to advice to prevent non-money issues damaging their finances (the preventative gap) dropped by roughly 400,000[27] over the last twelve months.

The here and now

It is clear from our research that too many people aren't planning or investing for the future. In some cases they are not even doing so for the shorter term. Coronavirus has highlighted the need for a cash buffer and some of the impact we're seeing now reflects the lack of that – whether through affordability, awareness or prioritisation.

Only 24% (2019: 24%) of our sample save every time they receive income, 21% (2019: 26%) don't have a pension and the same number have no immediately accessible savings at all. Nearly a quarter (24%; 2019: 25%) plan their finances a month ahead and 17% (2019: 19%) don't plan their finances at all. The need for accessible regulated financial advice to support people in developing a long-term perspective on their finances and planning for that is palpable.

Confidence does not equal ability

Despite all that, respondent confidence in their ability to manage money and make financial decisions independently remains high with 62% (2019: 64%) stating that don't need any help. When we asked our sample to share their perceptions of financial advice one theme was that it was unnecessary: "Someone working on commission trying to sell me something I don't want or need", "Someone who wants to charge you a lot of money for something you could research yourself" and various references to Google. Perception and understanding are just as significant issues as awareness and accessibility.

This confidence is, however, belied by the data we have seen around debt and planning and the fact that 39% (2019: 40%) are either struggling with bills and credit commitments, or have already fallen behind with their bills. This situation can only worsen as the longer-term impact of Coronavirus on people's income starts to bite.

Taking the plunge

The most frustrating aspect of all is that, despite some choice perceptions of paid-for financial advice and even of free guidance, the outcome when either is taken is largely positive. Those who received free specialist money advice were able to get help quickly (39%; 2019: 35%) and at a convenient time (46%; 2019: 49%) with around a fifth (21%; 2019: 20%) also getting help with related problems. There was a lower take up of paid-for advice but 16% (2019: 6%) also received help with connected issues.

The good news is that we do appear to be talking more about our money issues. However, GB adults are more comfortable talking to those close to them, with a third seeking out a friend or family member. Our challenge as an industry is to broaden that out to potentially more appropriate or better equipped sources.

24 Calculation by OpenMoney based on 41% of the GB adult population estimate of 50,941,708.

25 Calculation by OpenMoney based on 30% of the GB adult population estimate of 50,941,708.

26 Calculation by OpenMoney based on 10% of the GB adult population estimate of 50,941,708.

27 Calculation by OpenMoney based on 40% of the GB adult population estimate of 50,941,708.

What can we do?

It's evident that many people in Great Britain are in a precarious financial position, often relying on short-term debt or borrowing from friends while not being able to save for emergencies or the future. The number of respondents with no outstanding household debt had already fallen from 38% last year to 34% this year and early evidence suggests the significant impact of Coronavirus on household finances will only drive this number further down.

We believe the industry's ultimate goal must be to close the advice gaps and help everyone, regardless of age, wealth or experience, make the most of their money today and for the long term. A crucial first step is to improve the stability of many people's day-to-day finances and slow the growth of debt.

A study published in 2016 by the FCA[28] showed that becoming unemployed increases the likelihood of arrears by close to 200%. At the time of writing the UK had just experienced the biggest monthly rise in unemployment figures since modern records began in 1971[29], so it's clear the issue of debt is going to be a huge one.

Nearly a fifth of respondents who never put money into investment products (18%), say this is because they are paying off debt. While borrowing money to pay for expensive essential items, like your education, your home or your car, is an important part of money management, at OpenMoney we are concerned about the rise of unsecured credit. In particular, the proliferation of buy-now-pay-later schemes and workplace lending services makes it very easy to take on debt without fully thinking about how to pay it back and the impact on your credit record if you don't. Debt is debt, no matter what new guise it comes in. It always needs to be repaid and we don't believe this type of easy credit should be a normalised aspect of modern life.

We also worry that the impact of Covid-19 will force more people to rely on credit cards, overdrafts and short-term debt for everyday essentials and potentially drive them into financial difficulties. And we are concerned that mortgage payment holidays will simply store up the problem for some people who could struggle with larger monthly repayments or longer terms when the 'holiday' ends.

> "We believe the industry's ultimate goal must be to help everyone, regardless of age, wealth or experience, make the most of their money."

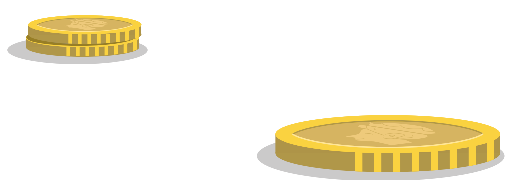
With that in mind, we are calling on the Government to strengthen consumer credit law and align regulation around all forms of unsecured debt. Specifically, to cover fully buy-now-pay-later schemes, workplace lending services and other new forms of credit to ensure that using this form of debt is a considered action taken with full knowledge of the implications.

At the same time, we must be mindful of those in financial hardship and make better provision for those who need emergency access to funds, making sure they are not driven further into poverty by resorting to unscrupulous high-interest lenders. A key component will be the Government's 'Breathing Space'[30] scheme, designed to freeze interest, fees and enforcement for 60 days to allow people with problem debt to receive professional advice. People experiencing mental health problems will have the same protections for as long as they are receiving crisis treatment. This is currently due to be implemented from early 2021. We urge the Government to bring this implementation forward to give people in debt the protection they need.

28 https://www.fca.org.uk/publication/occasional-papers/occasional-paper-20.pdf

29 https://www.theguardian.com/business/2020/may/19/uk-unemployment-rate-furlough-jobs-market

30 https://www.gov.uk/government/news/breathing-space-to-help-millions-in-debt



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