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THE INDEPENDENT REVIEW OF THE MONEY ADVICE SERVICE

Thank you for your letter of 12 June concerning the review of the Money Advice Service (MAS).

As you know, the Government committed to review MAS in October 2010 when setting out its programme of fundamental reform of financial services regulation. This commitment is in line with the Government’s policy of reviewing arms length bodies on a regular basis to ensure that these bodies are delivering their statutory objectives and that they continue to be fit for the purpose for which they were created. The Government subsequently agreed with the Treasury Sub-Committee’s core recommendation that this review should be independent, and appointed Christine Farnish as the independent reviewer.

In your letter, you ask why the independent review has not been explicitly asked to consider the future existence of MAS as a statutory organisation. The independent review’s central task is making an assessment of what consumers need in terms of financial education and advice. This will provide the foundation for the informed recommendations the review will then make about how these needs can most effectively and efficiently be met. What consumers need – and what support is available – has evolved considerably in the years since MAS was established, and the picture continues to change, with for example the new freedom and choice consumers will have on their retirement choices as a result of the pension reform announcements at Budget.

I also believe that it is important to set realistic and achievable goals for the review. We have agreed with Christine Farnish an ambitious timetable for the review, and asked that she reports to Treasury Ministers by the end of year. In light of the full legislative programme set out in the Queen’s Speech and the nature of the last Session of a Parliament, it is highly unlikely that we would have sufficient time to make any statutory changes that the review may recommend before the end of this Parliament. That is why the terms of reference focus the review on recommending improvements within the current statutory framework that can be implemented without delay. I am confident that, given the breadth of MAS’s statutory objectives and the statutory framework governing it, there is significant scope for the review to recommend substantive changes and improvements as it sees fit.
Your letter also asks for clarification that the review can examine and, if necessary, make recommendations on the FCA’s governance of MAS. I confirm that the review is able to consider improvements to governance within the current statutory framework. In this context, it is important to note that the terms of reference invite the review to make recommendations relevant to the FCA (and to the Government), and that the review’s Call for Evidence, published on 3rd July, specifically seeks views on accountability arrangements.

I also confirm that the review has the Treasury’s full support to explore and make recommendations in relation to the range of issues identified in the Sub-Committee’s report (as summarised in paragraph 77 of the report) except where these relate to the statutory framework for the reasons I set out above. The review is currently seeking evidence and views on these issues, in particular:

- on whether the strategy set by MAS for interpreting its legislative remit remains appropriate, and on the effectiveness of MAS’s current delivery models for consumer financial education and debt advice;
- from a wide range of stakeholders – particularly those organisations active in the wider financial guidance, advice and education market and in the financial services industry – on all the questions it raises, including how effectively MAS is engaging with stakeholders in the money and debt advice sectors, and whether there are any ways in which this could be improved;
- on whether there are any lessons from what MAS or other organisations do particularly well, that could be applied to one or more of MAS’s functions; and
- on the sort of people skills and experience MAS needs over the coming period in order to be effective. It is open to the review to decide whether and how this will inform MAS’s remuneration strategy for the long term.

I hope this letter has provided helpful clarification on the Government’s objectives for the independent review of MAS, and demonstrated that we are committed to ensuring the review has the scope to develop evidence-based, achievable recommendations that improve the delivery of money and debt advice to UK citizens. I am grateful for the Treasury Committee’s input to this important debate, and I welcome your ongoing engagement with and scrutiny of the review as its work progresses. I am content for you to put this response to your letter in the public domain.

GEORGE OSBORNE