Journal of Financial Services Marketing

Exploring the barriers to accessing Personal Financial Planning Advice

--Manuscript Draft--

Title Page (including author(s) contact details)

Article Title – Exploring the barriers to accessing Personal Financial Planning Advice

Running Title – Barriers to Access

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On behalf of all authors, the corresponding author states that there is no conflict of interest.

Exploring the barriers to accessing personal financial planning advice

Abstract.

Shifts in welfare policy over the last forty years towards a greater neo-liberal stance has resulted in citizens needing to take greater responsibility for their finances (Rowlingson, 2000; Strauss, 2008; Sherraden and Ansong, 2016). This coupled with low levels of financial capability across the United Kingdom (UK) population and consumers trying to make informed decisions from this low knowledge base (Sandler, 2002; FSA, 2004; FSA, 2006; Thoreson, 2007; Thoreson, 2008; Arthur, 2016; Stillwell, 2016) suggests a growing need to understand the barriers that consumers face regarding access to financial advice.

This paper argues that barriers preventing access to financial advice are not yet adequately understood. To build understanding three variables are explored, namely, knowledge, trust and affordability/cost, that are shown to affect consumers' ability to access regulated financial advice. From these variables emerged the ideas that financial advice needed to be considered the 'subjective norm' and that 'trust heuristics', as a route to advice had certain embedded risks.

As part of the research process a 'Financial Advice Belief Model' was developed as a tool to explore these variables more deeply and help interested stakeholders better understand factors that create barriers and may prevent consumers from seeking effective financial advice. Addressing these factors, we use the case of the UK to illustrate possible ways forward and argue that the findings could apply in other developed country settings. Further, these three key variables affecting access to needed financial services should be a key consideration for the UK's recently created the Money and Pensions Service as it looks to develop a wider focus on financial wellbeing as the core of its new strategy for UK citizens in need of financial guidance.

Keywords: holistic financial advice, personal finance, trust, heuristic, welfare, financial advice belief model, bounded rationality.

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Introduction.

Financial advice, and more particularly regulated financial advice that seeks to ensure quality advice is offered which is suitable for client needs, has for many years provided the consumer with a channel through which they can gain access to financial services. This has allowed the consumer to arrange mortgages, life assurance, income protection, investments and pensions along with more specialist products including equity release, long term care insurance and on occasions more general insurance products such as home insurance. As well as offering consumers a way to arrange products it has, perhaps more importantly, offered consumers advice regarding planning for the future and protecting against potential risks. Megan Butler, the UK's Financial Conduct Authority (FCA) Executive Director for Transformation said in 2017:

> … "*Financial advice and investment management is of unprecedented importance to society, now more than ever*"….

Rabbani, Heo and Grable (2021) suggest:

…"Those who use financial advisors are more likely to state that they feel prepared for their financial future, especially when faced with economic uncertainty, compared to others who do not rely on professional advice when making financial decisions."…

Sandler's review of the UK retail saving market (2002) for HM Treasury highlighted the need for a properly functioning advice market and the need for low and middle income consumers to be able to more easily access retail products and financial advice. Further research by the regulator to better understand consumer financial capability (FSA, 2004; FSA, 2005) resulted in the Baseline survey (FSA, 2006) that identified key financial capability domains with which some consumers need help. Two of these domains, 'Planning Ahead' and 'Choosing Financial Products' are areas where use of advice could ease the consumers journey.

The idea of a generic advice service had been suggested by various commentators and government commissioned Otto Thoresen (2007; 2008) to conduct a review and pilot a service that would lower the barriers to information and advice. Thereby, acting as a 'bridge' for those consumers who needed regulated advice. Ultimately, this led to the formation of the Consumer Finance Education Body (which became known as the Money Advice Service [MAS]) by the UK Government in April 2010 and the creation of the National Financial Capability Strategy shortly thereafter by this organisation given the remit to develop and operationalise this strategy on behalf of Government (HMT, 2014).

However, low levels of advice seeking still occur in this sector. In 2011 the Chartered Insurance Institute reported that 67% of the population had not received regulated financial advice. The Baseline Survey (FSA, 2006) suggested that 70% of the population do not take advice when choosing a financial product. Sandler (2002, p.177) suggested that:

… "*a well-functioning market for retail sales*" would include … "*a properly functioning advice market, with clear pressures on price and quality*".

The FSA (2009) took steps towards a better functioning market via the Retail Distribution Review (RDR) which was implemented in 2012. This resulted in removal of commission for investment/pension products, the raising of adviser qualification requirements and improved standards of advice (FCA, 2017b), yet the FCA today still express concerns that the market functions properly and barriers to access still exist. The Financial Advice Market Review (FCA, 2017a) which considered investment/pension advice, showed that there were 25% of UK adults who had not had advice who might have needed it and a further 50% who had not had advice and are less likely to have needed it. Of those that had not taken advice but might have needed it, 63% said that either: …*"they had no need to use an adviser"* or *"did not think of it"* (FCA, 2017a, p.11).

More recently, the Financial Lives Survey (Ripley and Weir, 2020) suggested that only 8% of UK adults had accessed regulated advice in the last 12 months yet vulnerability had increased. These figures indicate that consumers still do not utilise advice as often as they might although where they do, as Tjandra et (2020) suggest:

> …*"consumers' expectations of financial services are vague"* … they … "*rely on other Informative cues or credible sources such as IFAs*" (IFA - Independent Financial Advisers).

So despite this two pronged approach by the regulator of introducing a generic advice service and attempting to raise the standard of regulated advice, their research (FCA, 2017a) shows that barriers to consumer access still exist.

This paper presents concepts that act as barriers to accessing advice which have emerged from the associated research, such as ‘the need for advice to be perceived as the subjective norm’ and the Financial Advice Belief Model (FABM). It seeks to develop understanding of why these barriers to access remain the case despite the structural changes to the adviser market and more than 10 years of operation of a national generic financial advice service.

The research draws on 21 in-depth interviews with middle-income employees to better understand the barriers that face the consumer on their journey to access advice and how they have then utilised advice services. Analysis of these interviews using the framework of the FABM highlighted where the barriers prevented consumers progressing to advice.

In the next section, an overview is provided of the advice landscape and the changes implemented through RDR. This leads onto discussion about the environment in which advice is provided and how behavioural biases can influence consumer decisions. A brief description of the evolution of the Financial Advice Belief Model (FABM) is then provided which traces the development from its origins as the Theoretical Framework which guided the research. Then following a brief summary of the research process, the results of this research are presented which includes discussion of the key barriers and demonstration of how the FABM was tested. Finally, the conclusion frames the significance of these findings in the context of today's financial advice market.

Advice landscape and RDR changes

Prior to the introduction of the Money Advice Service in 2010, financial advice had been delivered from various sources via both commercial and third sector providers. Until the formation of the Financial Services Authority (FSA) in 1986, the sale of financial products and the provision of financial advice was largely self-regulated by various professional bodies. As the FSA evolved, clearer boundaries emerged between what is now deemed regulated advice and more general advice that falls within the definition of generic advice. However, a number of mis-selling scandals resulted in consumer detriment and loss of consumer trust in the financial services (Wells and Gostelow, 2009) and more particularly the regulated advice sector. A number of measures were introduced by the FSA to try and improve the quality of advice and restore consumer trust including minimum qualification standards for advisers (FSA, 2009). At the end of 2012 this culminated in the introduction, via the implementation of the outcomes of RDR, of the requirement for all regulated advisers to raise their qualification level to QCF4 (Qualification and Credit Framework – the national credit transfer system for educational qualifications in the UK until October 2015) from the earlier requirement of QCF level 3. At the same time commission-based payments to advisers were banned for the advised sales of investment and pension products.

The regulator's intention was to restore consumer trust and raise the standards of advice (FSA, 2009). Although, to some extent these outcomes have been achieved, a side effect has been to reduce adviser numbers from in excess of 200,000 in the 1990's (Sandler, 2002) to today's numbers, which the FCA (2020) reported as 27,557 in 2019, although this was a 3% increase on the previous year. This longer term reduction in adviser numbers has resulted in advisers focusing on higher net worth clients. Furthermore, a recent article in the trade journal, Financial Adviser, reports that 60% of financial planners are likely to sell their businesses within the next 3 to 5 years and two thirds of these cite retirement as the reason (Cheung, 2021). So, the prospect of numbers continuing to increasing is questionable and the shift to higher net worth clients leaves those with lower levels of wealth potentially facing a barrier to access.

Research on behalf of the FSA (2004; 2005; 2006) established a baseline of financial capability within the UK and identified the need for some form of homogenized generic advice service that could improve consumers' capability levels whilst 'acting as a bridge' to regulated advice. This resulted in Otto Thoresen being commissioned to conduct a pilot study which resulted in the formation of the Money Advice Service in 2010. Part of their remit was to establish a financial health-check (Hoban, 2010) that would highlight to consumer's the areas of their finances that needed attention. Unfortunately, this failed to provide the triggers to advice (IFF, 2012) that were envisaged. More recently, we have seen the merger of MAS with Pension Wise and The Pension Advisory Service (TPAS) to form the new Money and Pensions Service (MaPS) which will:

… *"deliver a more streamlined service to people, providing easier access to the information and guidance they need to help them make effective financial decisions throughout their lives"* (Govett, 2018).

There are various examples within the existing literature of how some of the techniques from Behavioural Science are being applied to try and remove barriers from the advice journey. The UK Behavioural Insights team have done various work to try and improve consumer use of Pensionwise. For example, the research testing their 'Pensions Passport', where information in wake-up packs was summarised on a single sheet of A4, suggested that people were 10 times more likely to take advice than those that received the usual wake up pack. They used the EAST choice architecture framework which utilised various behavioural biases including Loss Aversion and the Endowment Effect (Behavioural Insights, 2014). Similarly, their 'Stronger Nudge' research showed how take-up of Pensionwise appointments could be improved. In fact, from June 2022 pension providers will be obliged to utilise 'The Stronger Nudge' to encourage greater use of Pensionwise (FCA, 2021).

However, recent research by Overton and Cook (2022, p.7) found that even though efforts were being made to increase consumer use of Pensionwise, there was still a need for '*a more seamless journey from guidance to regulated advice*'.

Barriers to Access and the Financial Advice Belief Model

Existing research has not focused on the barriers to financial advice but nevertheless points to several important explanations for why some people do not access advice when it might benefit them. For example, Iannicola and Parker (2010) found that non-affluent consumers in the USA did not generally understand the process or value of financial advice and that advisers do not often inhabit the social networks of this cohort. A report for The Australian Regulator (2010) cited a lack of understanding of the benefits of advice and an advice model that does not suit some consumer groups, as barriers to advice. This coupled with consumers' tendency to prefer to stick with the status quo and fear of regret if action is taken (Ackert and Deaves, 2010) may account in part for consumers not taking advice when traditional economic theory would suggest it was the rational path to follow.

Shifts in welfare policy have resulted in a need for citizens to take greater responsibility for planning their own finances (Rowlingson, 2000; Sherraden and Ansong, 2016). With more responsibility being placed upon the individual to make financial provision for future events, comes the need for individuals to be able to interact with financial services and make informed decisions regarding their financial choices. This shift towards an 'ideology of individualism' (Strauss, 2008) brings with it an increasing need for consumers to be able to access advice. However, the literature from academia, think tanks and the Financial Regulator (FCA, 2019; FSA, 2009; Thoresen, 2008; Resolution Foundation, 2007) shows that consumers do not fully understand the role financial advice can play, when they should access it and how suitable advisers can be identified. So, decisions, when made, are often from a position of incomplete information rather than the rationality assumed by some older economic models which have historically driven the financial capability agenda. For example, Florenda and Estelami (2019, p.1) suggest:

> … *"consumer reliance on social media can significantly increase the risk of making poor financial decisions".*

If the consumer were to act in the way that traditional economic theory would assume, then they would pursue goals that they perceived as being in their self-interest and choose options that would provide the highest expected utility (Monroe and Maher, 1995). As far back as 1955, Simon highlighted the impact incomplete information could have upon the outcomes of consumer decisions (Simon, 1955). Kahneman mapped bounded rationality, suggesting that there were two elements within the *'architecture of cognition'* (2003, p.1450), the reasoning of the rational actor model but also intuition that can lead to decision making that utilises heuristics. These are the 'mental short-cuts' people use when faced with an unfamiliar or complicated problem about which they have little knowledge. CFEB (2010) suggest these can lead to consumers making wrong decisions. However, their research found little evidence of consumers planning strategically, due largely to a lack of knowledge and understanding of risks faced and the benefits of planning. Tversky and Kahneman had earlier expressed concern that the use of heuristics to simplify complex decisions lead to *'systematic errors'* (1974, p.1124).

Kempson and Collard (2005) suggest that consumers' realisation of inadequate pension provision (and therefore the need for advice) is often triggered by external influences such as friends and colleagues or press coverage. Research by the Henley Centre (FSA, 2005a) identified a variety of triggers prompted by circumstances. They categorised different types of consumer 'need' as reactive needs, underlying needs and psychological needs. Reactive needs are where the requirement for advice may be prompted by some external influence –

perhaps the decision to enter the housing market which prompts the need for mortgage advice. Underlying needs are where the action is prompted by the consumer simply feeling it is the right thing to do. This might perhaps be prompted by the external influences Kempson and Collard (2005) highlight. Psychological needs (or traits) may also affect access to advice with some consumers being planners and some being non-planners, with the former more likely to seek and take advice (Lusardi and Mitchell, 2006).

To try and address these barriers to consumers acting strategically, the former UK regulator (the FSA) focused on financial education and capability development to improve consumer knowledge and willingness to shop around. Consumer education was one of the FSA's four key regulatory objectives and has been spearheaded in recent years by MAS (and now its successor – MaPS).

There is a significant volume of literature on consumer decision making. Common themes show barriers with similarities to the barriers citizens may encounter when interacting with financial services and more specifically regulated financial advice. This helped in the development of a theoretical framework and ultimately resulted in our Financial Advice Belief Model (FABM).

This model formed the basis of the theoretical framework which guided the research process, informing the protocols for interviews and the subsequent analysis. The design and development of the model is described in more detail in Table 1 (parts a & b) below.

It evolved from existing knowledge, relevant literature and the researchers' desire to better understand the consumer journey to advice. The starting point was literature from Marketing theory which explained the process consumers follow when buying intangible services, of which financial advice is an example. Palmer (2001) suggests that services can be mentally intangible as well as physically intangible, that is, consumers do not always recognise the need for these services, which would appear to be the case for financial advice. Engel et al (1995) outline the consumer decision process as being one which starts with ‘needs recognition’ and following the search and evaluation stages, results in a purchase. However, for the consumer’s decision to use financial advice, this is too simplistic because it fails to account for the mental intangibility which the financial capability literature tells us prevails. Palmer (2001, p.98) suggests that individuals act in particular ways towards the purchase decision, being influenced by … *“the culture they live in, family and personality factors amongst others”.* So, the environment must also play a part, which means different drivers will be more significant for different consumer cohorts.

The literature review was then expanded to consider the areas of health decision making and social science models more generally as there were obvious synergies with the financial advice arena where consumer behaviour is also often considered as irrational.

The Health Belief Model (HBM) was developed to explain the lack of participation in health screening and prevention programs (Rosenstock et al, 1988). It attempts to predict the behaviour of individuals by focusing on their attitudes and beliefs. The model identified a number of key variables that are considered to influence an individual’s behaviour. This along with the contribution from marketing theory and other models from social sciences, in particular benefits take-up, (Luszczynska and Schwarzer, 2008; Conner and Norman, 2008; Bandura, 1977; Wim Van Oorschot, 1991) were adapted to model the particular issues relating to financial advice.

The first two stages of the model are about the recognition of need for advice (as shown in Table 1a). Failure of this 'recognition of need' to be triggered by either an internal or external source result in a barrier to advice.

Table 1a – Evolution of the Financial Advice Belief Model

Triggers	• Needs recognition will be triggered by either an internal or external influence (Engel et al, 1995). • Internal triggers may be from existing knowledge which may include the perception that to take advice is the [subjective] norm (Ajzen, 1985). • External triggers - financial health-check, advice from family/friends or knowledge of others' negative experiences (Palmer, 2001; FSA, 2005)
Goals & Threats	• Literature from both the FSA, FCA and various professional bodies identify the reasons consumers may utilise financial advice • Goals could be - mortgage to help with their house purchase, savings for emergencies or a future event • Threat may be fear - being poor in retirement or family security

	- This section draws on ideas from the Health Belief Model (Rosenstock et al, 1988)

As discussed earlier, successive regulators have tried to overcome these barriers by providing potential triggers through improving levels of financial capability, introducing a financial health-check and a variety of publicity campaigns to raise awareness of potential risks. Generic advice services such as the Money Advice Service and Pensionwise have been introduced to try and overcome these barriers.

However, there are still other barriers within the consumers journey that can prevent them progressing along their advice journey. Table 1b highlights these, which include the structure of the regulatory advice regime and consumers' perceptions and beliefs about the service proposition and the industry more generally.

Table 1b – Evolution of the Financial Advice Belief Model

Consumer Intention Influencers	These factors may promote or inhibit the consumers' journey once the need has been recognised. • Concern consumers underlying beliefs about advice services and the value of the outcomes that are the resulting solutions of advice. • Low levels of trust in financial advice and financial services acts as a barrier. • Significance of the messenger (Dolan et al, 2010). CFEB (2010) suggest that lower socio-economic groups more comfortable with someone 'like them'. • Rogers (1975) Protection Motivation Theory includes the concept of 'coping strategy' where individuals assess their ability to cope in alternative scenarios. Low financial capability may result in consumers not appreciating the level of potential threat to which they are exposed • Consumers' expectation of the perceived outcome and value of advice. The Health Belief Model (Rosenstock et al, 1988) provided the inspiration to include variables which measure the perceived value of that outcome and therefore their perception of whether the advice affords a value. • Timescale until the perceived outcome might be enjoyed. There is substantial literature that sets out how mental accounting and hyperbolic discounting can account for consumers placing greater value on immediate gratification than future value event when the future outcomes maybe considerably more valuable.

Structure of the Service	This section of the model involves the environment in which the regulated advice regime operates • Consumer perceptions as to whether they believe it is a service accessible • Is affordable • Has their interests at heart. • Advice Gap - Availability of advisers to low net worth individuals.
Self-Efficacy	• Belief that from a practical perspective they can achieve their objective and actually take the required advice.

Later following testing to provide some validation of the model built from the literature and the prior Health Belief Model, it emerged as the model shown in figure 1.

Figure 1 - The Financial Advice Belief Model (Moss, 2015).

Threats & Fear
Family security
Poor in retirement
Paying too much
Situation outcome

Search for inf Trigger Events**ormation o r take Advice**

Internal	External
Memory Knowledge of Need Life-course Event Advice as Subjective Norm	Advice or referral from trusted source Family/Friend/Employer/Other professional Financial Health-Check, Publicity campaigns Others' negative experiences Social Norm

Goals.

New house

Financial security
Secure retirement

Financial/Psychological well-being

Rational Actor

Promoter	Consumer Intention Influencers	Inhibitor
High	Trust	Low
High	perceived value of outcome	Low
High	perceived outcome expectancy	Low
Short	Timescale until outcome enjoyed	Long
Difficult	Coping strategy	Easy
High	perceived value of advice	Low
High	perception that it is accepted behaviour	Low
Like me	Messenger	Unlike me

Structure of Service

High……………………………………Industry Ethics…………………………………Low
For all …………… ……………perception that………………………….for the Rich
Consumers' interest at heart…..Industry Culture…………………Self-interest/Profit
Perceived as value……………………….Cost……………………Perceived as Expensive
Easy…………………………………Administration…………………………Difficult
Easy…………………….Accessibility of information or adviser………………Difficult
Promotes ease of access………….Regulatory Policy…………………Complex access

Search for information or take Advice

Confidence or Self-Efficacy – Belief the outcome is achievable – 'I can do it'

This ‘financial advice belief model’ (FABM) considers the consumer’s journey to advice which usually starts with some form of trigger, either an external or an internal trigger. Without a trigger the journey will not begin unless there is an identified goal the pathway to which triggers the need for advice.

Research method and analytical framework.

This research draws on consumers’ experiences of their different journeys to financial advice to better understand the interaction of the different barriers highlighted in previous literature. This includes consideration of what they perceive as advice, why they have [or have not] accessed advice along with the triggers that prompted them and the barriers that impeded them. It is the interaction of these different dimensions that can lead to poor consumer outcomes. Therefore by better understanding the implications of these interactions, interventions can be shaped to help consumers more easily tread the path to an appropriate advice solution.

Analysis of the consumer decision-making literature relating to financial capability, behavioural finance, marketing, health-sciences and benefits take-up provided an array of variables relevant to the advice journey. These were initially shaped into a theoretical framework to guide the research and ultimately developed into the Financial Advice Belief Model (FABM). The explanatory power of this model was tested and shown to explain the barriers to financial advice. This was done during the qualitative stage of the wider project, where we interviewed 21 middle income employees (income quartile 2 and 3 – those with incomes between £15,001 and £43,999). The interviewees were recruited from participants of 12 MAS Workplace Seminars that were led by one of the authors. At the beginning of the seminars, screening questionnaires were issued and a total of 201 seminar attendees completed questionnaires. From these questionnaires, 21 interviewees from income quartiles 2 or 3 were selected and then interviewed (see Tables 2 and 6 for further details on these interviewees).

Table 2 - Characteristics of the interviewees (Moss, 2015)

Pseudonym	Age	Gender	Marital status	Income Quartile	QCF Level	Employment Sector
Mavis	50's	Female	Single	2	4	Public
Heather	50's	Female	Single	2	3	Public
June	40's	Female	Single	2	2	Public
Eric	40's	Male	Single	2	5	Public
Kazim	30's	Male	Married	2	3	Public
Marta	40's	Female	Married	3	3	Public
Ronnie	50's	Male	Married	3	2	Private
Alan	50's	Male	Single	3	4	Private
Jim	30's	Male	Married	2	2	Private
Bryan	40's	Male	Married	3	4	Private
George	40's	Male	Married	3	3	Private
Tom	60's	Male	Married	2	2	Private
Elaina	50's	Female	Single	2	5	Public
Frank	40's	Male	Married	2	2	Public
Ernie	50's	Male	Married	3	2	Public
Peter	30's	Male	Married	3	3	Public
David	40's	Male	Married	3	5	Public
Suzie	20's	Female	Single	2	5	Public
Kathy	50's	Female	Married	2	5	Public
Sarah	40's	Female	Single	3	5	Public
Emily	20's	Female	Single	2	3	Public

A semi-structured interview approach was adopted in conjunction with a topic guide to ensure all the questions that are initially considered relevant were asked whilst allowing the flexibility to develop areas of discussion that became pertinent as the conversation proceeded. Interviewees divided broadly in to two groups. The first group included those that had either taken no advice or only mortgage related advice (numbering 9 people in total, 2 of which had never taken any form of financial or mortgage related advice) and those that had taken advice regarding mortgages, protection, investment/savings and/or retirement planning (12 people). Of the 19 that had taken some form of advice, 14 of these were clearly motivated to do so by the requirement to arrange a specific product.

The transcripts were then loaded in to NVIVO and analysed using a template initially derived from the Financial Advice Belief Model and based on Spencer, Ritchie and O'Connor's thematic framework approach (2006).

Results and Discussion.

There are three clear themes that appeared from the analysis of the interview data;

- Knowledge
- Trust
- Cost/Affordability

In this section each of these will be considered separately drawing on the interviews undertaken.

Knowledge as a barrier to advice.

Within this dimension there were three sub-themes that emerged.

1. Knowledge of Need

2. Knowledge of Adviser Services and Value of Advice

Finding an Adviser.

3.

Knowledge of Need.

It may appear that this sub-theme is a pre-requisite for advice as without knowledge consumers are unlikely to seek advice to resolve an unknown need. However, this is not always the case. Potentially, recognition of this need may be triggered by some form of external influence such as a health-check. In fact, this has been key to a major strand of the strategy MAS (2012) has adopted.

Generally, interviewees' experiences of knowledge of need differed depending on the area of their financial planning under discussion. Where the need was reactive, for example, they wanted to buy a house using a mortgage, then they knew it was necessary to approach a lender. Industry structure and regulatory regime generally make advice an integral part of this process. Most interviewees perceived financial advice as a route to a financial product.

Although, there were interviewees who specifically took advice to try and understand the financial risks to which they were exposed (underlying or psychological need). However, this was the exception rather than the rule. Many of the interviewees had never really thought how they would cope in different scenarios that could significantly damage their present financial position. Table 3 shows some of the reasons given for not seeking advice across different areas of financial planning.

Table 3 – Reasons for not seeking advice.

Potential Risks Interviewees were exposed to.	Typical justifications for not considering or addressing potential needs/risks
How their family would cope in the event of their premature death.	Never really thought about it Lifestyle would have to change The state would help Family and friends would help
How they or their family would cope in the event of long term illness/disability.	Never thought about it I am not a sickly person Too young to be long term sick
How they would cope in retirement.	I've already got a pension - (although did not always know whether it would meet their needs) I will probably get an inheritance I probably won't live that long

Interviewees that had taken advice explained their route to an adviser. Kazim had never really thought about it as advice when the estate agent arranged his mortgage, he thought it was just a way of getting the mortgage. He went on to say:

> "… *I knew there was so many mortgage products out there, but it was too confusing I'll just arrange my mortgage, so I don't miss out on the house. It was more I don't want to lose the house so just do whatever it takes."*

Other interviews provided different explanations, some seeing advice as the only way of arranging a mortgage, whilst others saw it as a sales channel. Peter said:

> "…*Yeah, because it was all new to me. It was the first house I'd bought so I didn't have a clue. It was just that the woman at the bank who helped me out was really, really helpful."*

Clearly without the help of an adviser, both Peter and others felt they would not have managed to arrange a mortgage. In contrast to this, other interviewees simply used advice as a channel to arrange the mortgage so it would also be a means of confirming that their proposed action was suitable. Craig (2017, p.17) highlights *'peace of mind'* as an emotional benefit of taking financial advice. Financial Lives Survey (2020a) suggests that nearly 50% of mortgage holders were recommended a particular lender by a broker or financial adviser. Of those using a broker 52% were either recommended by family/friends/colleague or via the estate agent and a further 34% had previously used a broker. This suggests that a relatively low proportion made a conscious decision to pro-actively seek out a mortgage adviser to research the market without utilizing a referral route.

It appeared that mortgage advice triggered protection advice. The Financial Lives Survey (2020a) supports this contention, suggesting that 60% of those using a mortgage broker to arrange their mortgage were offered protection advice and 44% of those offered protection advice arranged a product.

Fifteen out of seventeen interviewees that were current or previous mortgagors had arranged mortgage related life assurance, thirteen of which arranged it via their mortgage adviser. Kazim was prompted by the mortgage adviser but arranged it himself. A general attitude seemed to prevail, where interviewees considered that if the mortgage was repaid on their death then those left would cope. This is illustrated by the comments of Marta, who said:

> *"…We took out a mortgage protection policy, as long as the mortgage was paid they'd find the money to feed themselves*"

There was a theme from the interviewees suggesting that repayment of the mortgage in the event of death is more important than more general protection in this eventuality.

Regarding protection of household income in the event of the breadwinner's long-term illness or premature death, few examples existed of interviewees taking advice regarding insurance. Heather, who had a dependent son, said:

"…I've never really thought about it"

Others felt that the risks were low, Frank said:

"…I'm not a sickly person"

The Behavioural Finance literature suggests that overconfidence can result is consumers taking larger risks than is prudent (eg. Shefrin, 2002). This 'Illusion of Control' and 'excessive optimism' exhibited by Frank are forms of overconfidence which result in a lack of appreciation of the extent of the risk (Ackert and Deaves, 2010).

For savings, most interviewees felt able to manage without advice. They were aware that benefit could be gained by shopping around but report that they could not always 'be bothered' to do so. The Financial Lives Survey (2020) suggests that inertia is common across financial services, for example, only 9% switched a cash ISA in the last three years. There seemed to be an expectation that advice would need to deliver a return that justified its immediate cost for it to be worthwhile. However, Ignition House research on behalf of the FCA found:

… "*consumers who get support, and particularly those who take regulated financial advice, have very different outcomes in terms of cash holdings compared to those who do not"…* (Ripley and Weir, 2020, p.60).

For pension advice, most had joined their occupational schemes, feeling this was sufficient provision and therefore saw no reason for advice. Seven of the interviewees had simply never really thought about what they might need at retirement. The Pensions Policy Institute (Redwood et al, 2013) suggest that only 49% of median earners will achieve an 'adequate retirement income' if they start saving at age 22 and contribute 8% of band earnings (which is the current UK auto-enrolment default amount). This suggests a gap between perception and the reality.

Some interviewees were concerned about retirement and had sought advice. Eric explained why he sought advice:

"… *I suppose I just wanted to boost my pension really. You get to 40 and you become very aware that it's only like 20 years to go…*"

It seems that failure to appreciate a variety of risks results in either making decisions based on limited information, that is a bounded rationality perspective, which leads to errors and overconfidence or simply not appreciating that a risk and therefore a planning need existed (Simon, 1955; Mehta, 2013 ; Shefrin, 2002).

Knowledge of Adviser Services and Value of Advice.

This dimension considers interviewees' knowledge of adviser services and how these may help to identify and quantify the implications of potential risks, thereby providing the interviewees (and more generally consumers) with solutions to address these risks. Value of advice is an aspect of this because unless there is an understanding of the extent of adviser services it is difficult to see how advice will be fully valued. Clearly, the lack of knowledge of adviser services is a potential barrier to access (this is discussed further in the conclusion).

A fair proportion of the interviewees understood that independent advisers could offer products from the 'whole of market', Heather explained independence as:

> *"… that means he's not allied to one particular finance house"*

Many interviewees failed to appreciate that restricted advice could have cost implications and may not always provide access to the best products. There seemed to be a mis-conception that bank/tied advice was free whereas independent advice would incur a fee.

Knowledge regarding the scope of services advisers offered was limited and there was little appreciation that one adviser (depending on particular FCA permissions granted) could potentially deal with all aspects of their financial planning.

The FABM was then tested to highlight where issues arose on an interviewee's journey to financial advice. The comparison of Frank and David shown in table 4 illustrates how different perceptions of the advice channel can result in different outcomes. David's journey to advice resulted in him being able to make an informed decision while Frank's perception of advice acted as a barrier.

Table 4 – Consumer perception of advice as a barrier (Moss, 2015)

Section of Model	Frank	David
Trigger Events	Advice not perceived as subjective norm so there is no internal trigger. Similarly, there have been no external triggers to advice.	Internal trigger prompts action
Motivators	Not applicable	Desire to have sufficient income in retirement acts as motivation
Intention Influencers	Not applicable	David perceives the outcome of advice as something that will help him establish the likely value of his pension at retirement. So, outcome expectancy is a driver of advice
Self-Efficacy	Not applicable	David found difficulty finding an adviser that would provide this service. He eventually found a suitable adviser via an employer seminar. Advisers he had spoken to earlier did not seem interested in assisting him with this.
Comments	The barrier in this case is knowledge of adviser services and in particular Frank's perception of advice as a route to a product rather than a means of helping him make an informed decision	David encountered some barriers on his journey to advice but eventually overcame these. Clearly the fact that he perceived advice as something that would help him establish his current position rather than just sales channel is an important aspect of his journey.

These different perspectives can result in some consumers not considering advice unless they have a need for a product. This in turn means they are less likely to understand the full value advice can add to their financial position, and this in itself acts as a barrier. The FAMR Baseline Survey (FCA, 2017a) tells us that 50% of those that had not taken advice suggested they did not need it and a further 28% decided to make their own decisions. Yet the

Financial Lives survey suggests that:

… "*The proportion of UK adults with characteristics of vulnerability increases significantly over the period to 53%*" … (FCA, 2020a).

The findings from these two significant surveys, support our contention based on our interviews; that consumers' lack of understanding of advice services leads to what must be a false impression that they have no need for advice, as is the case for Frank.

Finding an Adviser.

The knowledge barrier related to finding a suitable adviser is a confidence or self-efficacy issue. Bandura (1977) defines self-efficacy as the belief by a person that they are capable of performing a particular behaviour required to achieve the desired outcome. So if they do not have the skills or resources (Connor and Norman, 2008) or believe the outcome of inaction is less of a concern than the complexity of taking action (Rogers, 1975) then they will not be able to find a suitable adviser.

Those interviewees that had taken advice either identified a suitable adviser by some form of referral (from family, a friend, a colleague, a related business or via their employer) or used their high street bank or building society. Some of the older interviewees had experience of advice via door-step services previously offered by companies such as Prudential and others.

These methods of finding an adviser seem to be centred on trust, either the experiences of others who they trust or the experience of dealing with ‘their bank’ which they believe can be trusted. However, there were a few examples where interviewees felt obliged to engage with advisers as in the case of Kazim.

It seems therefore that when consumers know they need advice to achieve a particular outcome, in most cases they will find an adviser one way or another. Although, this is not always the as Marta’s experience, set out in table 5, demonstrates.

Table 5 shows Marta’s journey. She had previously enjoyed the benefits of the services of two different financial adviser and believed that they could again help her but neither were still practicing and she did not have knowledge [skills] to find an alternative.

Table 5 – ‘Finding an adviser’ as a barrier.

Section of Model	Marta
Trigger Events	Marta is made redundant and joins a new employer who offers a pension scheme
Motivators	Previously she had been in a final salary pension scheme and felt secure regarding her retirement provision. Following redundancy she is now concerned about this but unsure whether she should join the pension offered by her new employer.
Intention Influencers	She has previously used the services of a financial adviser and believes that the outcome of advice will help to confirm whether the new pension is value for money and whether she should join. Marta has an expectation that the deferred pension provider should provide advice at no additional cost because she has a pension with them. This may also have presented a barrier, however she did not get that far.
Self-Efficacy	Although, Marta had previously used the services of two different financial advisers, one has left the industry and the other retired. She contacts a brokerage that appears to have taken over responsibility for a deferred personal pension she has hoping they can help but to no avail.
Comments	The barrier in this case is knowledge how to find an adviser. Originally she had found one of the advisers via referral from her husband's employer. She had not been able to find another adviser via referral and did not know how else to proceed.

The case study shown in table 5 illustrates how knowledge of 'finding an adviser' can act as a barrier and how using the FABM can help to identify where the barrier exists. However, both our findings and the literature more generally does not highlight this as a significant barrier. FAMR (FCA, 2017a, p.11) found only 14% of their sample were either … "*not confident about finding the right adviser for me, didn't know how to find a suitable adviser, couldn't find a suitable adviser or couldn't find an adviser willing or able to offer me advice*". However, it may be the rationality of the decision-making process individuals adopt in finding an adviser rather than the ability to actual find one that is the greater risk.

<u>Trust as a barrier to advice.</u>

The second clear theme emerging for our interviews was that of trust. Some interviewees put absolute trust in the adviser and made this judgement based on emotional trust.

Heather, talking about her pension adviser, said:

> "… *he was calm, made me feel comfortable, was smartly presented and didn't bombard me."*

She met him via a friend's referral. Her new employer had offered a pension contribution, but she needed to arrange a 'vehicle' to receive this contribution. Having been told by the adviser that the minimum contribution was £100 per month when her employer was to contribute about £50, Heather's dilemma was whether she could afford to pay the balance. However, a 'stakeholder pension' (available at that point in time), where the minimum was £20, appears not to have been discussed. MAS provide guidance to consumers on choosing an adviser. However, the referral route of finding this adviser effectively by-passed an informed decision-making process.

Heather was unsure whether to arrange the pension and therefore potentially could miss out on this benefit because of poor quality advice. Financial Advisers were directed by the regulator (FSA, 2007) to confirm to clients why the pension recommended was at least as suitable as a stakeholder pension. If an alternative had been recommended, then there would be no question regarding affordability.

The case referred to above may not be the norm for consumers finding an adviser via referral but it does illustrate the risk that consumers face when they rely on trust others have in advisers and use this to circumvent the need to be more critical in the judgements they make. The referral process can act as a 'trust heuristic' and heuristic decision processes can incorporate errors (Shefrin, 2002). This means consumers are not necessarily making informed decisions when choosing an adviser. However, the advisers interviewed argued that the nature of the 'referral chain' afforded the consumer an element of protection as poor advice would put them at risk of losing more than one client. The key point is that ideally consumers should be making fully informed decisions regarding their choice of adviser and by using this trust heuristic their decision might be less informed than it otherwise might be.

Table 6 contrasts the high levels of trust consumers have in individual advisers, compared to the low levels of trust in financial services more generally. Interviewees were asked whether they trusted financial advisers, the industry more generally and whether they thought there was a need for regulation of financial services. Their responses are summarised below.

Table 6 - Interviewees views on Trust (Moss, 2015)

Interviewee Pseudonym	Trust adviser	Trust industry	Importance of regulation
Kazim	No	Yes	Yes
Jim	N/A	Yes	Yes
Bryan	Sceptical	No	Very important
Tom	Yes	No	Yes
Elaina	Yes	No	Yes trusts state
Frank	No problems with Bank	Sceptical	Yes
Suzie	N/A	Yes	Yes
Kathy	Yes	Yes with reservations	Yes
Sarah	Yes with reservations	Sceptical	Yes
Emily	Yes	Unsure	Yes
Mavis	Yes	Sceptical	Yes
Heather	Yes	Yes with reservations	Yes
June	Yes	No	Very important
Eric	Yes	Yes with reservations	Yes
Marta	Yes	Yes	Yes
Ronnie	Yes	Yes	Yes
Alan	Yes	Yes	Very important
George	Yes	Sceptical	Yes
Ernie	Yes initially sceptical later	No	Yes
Peter	Yes	Yes	Yes
David	Mixed experiences	No	Yes

Table 6 shows that interviewees were broadly very trusting of the advisers they had dealt with, although, some were sceptical about the advisers' motives. It seems the referral method is based on individual trust rather than general trust. High individual trust in advisers therefore does not present a barrier to access. However, it does have some inherent dangers as Heather's experiences highlight.

Although trust has been a reason why consumers have not always engaged with financial advisers, it is the way consumers engage using mental shortcuts to establish trust that should be of greater concern. In part this is can be attributed to consumers' lack of understanding of the different ways to find an adviser. Rather than using formal resources such as MaPS to help make an informed decision, an informal route via a referral is often used. This may result in emotional establishment of trust rather than an informed decision as to an adviser's capability and ethics.

Cost/Affordability as a barrier to advice.

The third theme arising from our interviews is that of cost or affordability. Ability to pay, for financial advice or the resulting products sold, is a key factor because if consumers do not have the available disposable income to pay for advice and/or any associated product then they will not engage. Even those that can afford to pay may not necessarily be willing to do so.

In the past advice was funded via product commissions. This had certain disadvantages for the consumer; product costs were higher as commissions were incorporated, creating issues of opacity and potential product advice bias because of different commission levels.

However, it did mean that where the consumer engaged with financial services the cost of advice was not generally a barrier. In the RDR world it is still possible to build the cost of advice into the product purchase although this may perpetuate the issue of a sale being required to remunerate the adviser and is now becoming a less common way to operate.

The interviews showed three key dimensions to the issue of cost/affordability;

1. Whether the consumer has the disposable income to be able to buy the required products.
2. Whether they perceive they can afford the advice as a separate service to the product being acquired.
3. Whether they are willing to pay for advice to help take the necessary actions.

Where the advice process starts with a review of income and expenditure then cost savings may be identified, making the advice and product more affordable. However, where the advice process is perceived as a product channel then consumers may not get this far, as the perception of initial cost will act as a key barrier to engagement. Kahneman and Tversky (1984) suggests that when buying services, consumers create a mental account where they weigh up the advantages and disadvantages of the transaction. Clearly, where consumers are acting on incomplete information then these may lead to errors in their decision making.

These three aspects of cost/affordability can act as barriers to consumers accessing advice. It seems there is resistance to pay for advice that will not bring any immediate or known financial benefit. If consumers appreciate the value of advice, so the balance of the mental account favours advice, then they will be willing to pay for it. Where incomplete information is utilised, this may be the consumer acting rationally, although perhaps ‘boundedly’ (Simon, 1955; Thaler, 1980; Mehta, 2013).

In the interviews the respondents were pragmatic about the changes to the advice regime, taking the view that paying for good advice seemed sensible but there was a preference for the cost to be absorbed into the product if possible. Others were disappointed because these new rules mean they could potentially incur a direct cost, whether or not the product was eventually purchased. As there has been some misunderstanding of how advice has been previously funded these changes also acted as a barrier for some consumers.

As RDR changes have become imbedded, consumers have no doubt got used to the idea that there is a cost associated with financial advice. However, the Financial Advice Market Review (FAMR, 2015) has again highlighted that some consumers may be unwilling to pay for advice because of a lack of understanding of the benefits it can bring. FAMR Baseline Report (FCA, 2017a) states that, overall, 46% of consumers would be willing to pay for advice but of those that had already taken advice this rises to 81%. It seems there is a link to the knowledge variable and clearly cost/affordability remains a key barrier to be addressed in access to financial advice.

Conclusion.

This research has investigated the barriers that prevent some consumers from accessing financial advice. It explores three key themes that the research undertaken suggests are crucial to the consumer's journey; - knowledge, trust and cost/affordability within a broader Financial Advice Belief Model. The FABM was developed to provide a more nuanced understanding of the barriers which affect the consumer's journey. This research is important because it shows where interventions may help lower these barriers to advice and simplify consumers' journeys towards making more informed financial decisions. Attempts to improve consumer engagement with financial advice were previously tackled from the position of a traditional economic model, focusing on the consumer as a 'rational actor'. Our research highlights the limitations of that model and the need to see consumers acting within the context of 'bounded rationality' where rather than trying to address the supposed deficiencies of the individual, the structure and environment may also be considered (Simon, 1955; Kahneman, 1984; Mehta, 2013). The FABM highlights both 'inhibitors' and 'promoters' which can influence consumers' intentions and perceptions, some of which result from the current structure of available services. It seems that MaPS have started to think along these lines as well. There recent Financial Wellbeing Survey includes a model of Financial Wellbeing that incorporates 'Financial enablers and inhibitors' (MaPS, 2022).

The research illustrates the complexities and interplays behind and between some general barriers. For example, 'knowledge' as a barrier consists of three sub-themes. The first being a financial capability issue, where if the consumer is not aware they are at risk then no action will prevail unless some form of external trigger acts. The idea of an external trigger has been a key strand of the MAS strategy. Their ‘health-check’ (MAS, 2012) had the objective of alerting consumers to particular needs/risks to which they may be exposed.

Although subsequent review suggests this has not been effective in encouraging consumers to take action regarding high level risks (IFF, 2012) it does not mean that the principle of trying to get consumers to review their finances is wrong. This tool, in an updated format *(Couch to Financial Fitness plan)*, is now part of the Money Navigator suite of tools available through the Money Helper channel of MaPS (MAS, 2022). It is clear that the use of an external trigger to encourage consumers to take a pro-active approach to their finances seems necessary. The FABM highlights where barriers may exist within the consumer’s journey to advice, our evidence suggests there is a need to look again at how external triggers can be used more effectively to motivate suitable advice seeking and the FABM can help to identify where within the consumer journey these triggers may be most effectively utilised.

The second knowledge-related sub-theme relates to knowledge of adviser services. Barriers exist because some consumers do not appreciate that existing advisers may be able to help with other aspects of their finances. Different tiers of advice regulation contribute to this and can be confusing for consumers. More important however, is the perception that advisers are mainly a channel to arrange particular products. If holistic advice leading to strategic planning for the future was considered the ‘subjective norm’ rather than ‘advice as a product channel’ being the norm then consumers may be more aware of the full range of services advisers offer and the value it can add.

The third knowledge-related sub-theme is ‘finding an adviser’. Although, generally interviewees managed to find an adviser when they knew they needed one, improved signposting by MaPS as a key objective for this new body may help to lower this barrier and help consumers make more informed decisions regarding their choice of adviser.

The second key overall theme identified within this research is trust. It highlighted the differences between general and individual trust and it was clear that those who had experienced the advice process were more trusting of the individual adviser but not of the industry more generally. It is therefore reasonable to assume that these low levels of general trust act as a barrier to access particular where experience of advice is limited or non-existent.

The third key theme of this research highlighted the problems of cost and affordability of advice. Some consumers cannot afford to pay for advice or the cost of required products. However, others are not willing to pay for advice which may be a ‘hangover’ from the earlier commission-based regime or it may be that they are acting from a position of bounded rationality.

Analysis of FAMR by Craig (2017) may shine some light on the final point above. Craig (2017, p.24) reports ‘*lack of awareness of advisory services*’ as a negative driver of accessing regulated financial advice. She also highlights consumers’ unwillingness to pay fees particularly when they were perceived as high in relation to the level of assets involved. On the positive side Craig (2017) reports that consumers use regulated advice to make complicated issues more accessible and provide peace of mind and that it is often '*the emotional benefits that outweigh the functional benefits'* (2017, p.17). If we consider this in the context of 'bounded rationality' and our findings that consumers frame advice as a route to a product rather than a more holistic service then it can be seen why 81% of those that have used regulated advice services are more willing to pay a fee (FCA, 2017a). Clearly, the mental accounts of those consumers acting from a 'bounded perspective' are excluding some key positives. These positive may, if considered, result in more consumers using advice services as a proactive planning route to help identify needs rather than as a reactive route to a product they already know they need. So there are links between our key themes of cost/affordability and knowledge of adviser services. It seems, therefore, that where consumers have limited knowledge of the value adviser services can add, this contributes to barriers associated with unwillingness to pay for advice.

The baseline survey (FSA, 2006) identified 'planning ahead' as a key component of financial capability, commenting that the majority of UK citizens were not good at this. Failure to plan results in 'the pensions and savings gaps' and leads to more people suffering a financial crisis when personal circumstances change for the worse. Pro-active financial planning, be that generic or via a regulated source, can alert consumers to these potential risks, help them to plan ahead and thereby reduce negative outcomes that might otherwise prevail. By shifting consumer perceptions from regulated advice as a product route to a broader public perspective that appreciates the strategic planning and emotional support aspects advice can bring, will remove a barrier to advice and should help more consumers to avoid negative financial outcomes.

This research underlines that there is no one factor which can be blamed for consumers being unable to access suitable advice and clearly there are links between different variables that can magnify the problem. However, much can be attributed to a lack of knowledge of the needs and to how advice can help to highlight these whilst offering potential solutions to address them. There is an important role for MaPS, recently created, who by providing the required triggers could provide a solution to this problem along with better co-ordination and understanding of advice and guidance across the sector. We have, for example, recently seen new initiatives to try and improve the use of Pensionwise which should act as a natural stepping stone to regulated advice, thereby overcoming some of the barriers that currently exist, but as Overton and Cook (2022) say, this journey is still not seamless.

It is now more than 9 years since RDR was implemented, evidence suggests things have improved for some, particularly with respect to the quality of advice. However, for others there are still gaps that pose a barrier to access (Europe Economics, 2014). This report goes on to say that a group of consumers exist where cost of advice is a barrier to access and this group has grown since RDR. Although it does suggest that as the market develops, and more low-cost advice models become available the problem may be alleviated to some extent.

This theme of alternative advice channels is developed further within the FAMR (FCA, 2015).

From a broader perspective, the results of this research highlight the responsibilities placed on consumers by the shift towards a more individualistic approach to welfare. Clearly, for many consumers, the gap between this expectation and the reality of consumer financial capability is one that leaves them unprepared to plan for known and unknown risks that prevail.

This research, while based in the context of the UK, is also likely to apply more widely to other developed countries although further research into ‘Barriers to Advice’ would need to confirm if the same three key theme and sub-themes apply in all cases given the different contexts for regulated financial advice in different regimes. There is still much to learn about the barriers that prevent consumers from accessing regulated financial advice and guidance more generally. Future research could consider such factors as the social anxiety associated with sharing sensitive personal information about household finances and the stigma that arises from fears of judgement. Behavioural Economics and Psychology have much to offer from the perspective on how purchasing habits are related to the individual character types and how this may influence consumer decisions to the type of advice they may seek, be that guidance, regulated advice or platform based solutions that have been labelled ‘Roboadvice’.

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