

Fairer Finance
Consumer Advisory Board
Annual Report 2022

Fairer Finance has a very clear vision: “to see a world where consumers trust, and even love, their banks and insurers”¹. Fairer Finance seeks to achieve this vision by using its research and its ratings of banks’ and insurers’ products to help consumers make more informed purchase decisions. In addition, Fairer Finance has commercial relationships with a number of banks and insurers aimed at helping them improve their products, services and communications with their customers.

Fairer Finance’s founder and CEO, James Daley, has always understood and appreciated the need to actively manage the potential conflict within this business model: what’s to stop Fairer Finance’s commercial relationships with banks and insurers affecting its opinions on the products and services of those same firms?

Of the many steps James took on the establishment of Fairer Finance to manage this risk, one of the most visible was the creation of the Fairer Finance Consumer Advisory Board² (CAB). The CAB is an independent group which oversees the work of Fairer Finance and provides an extra level of assurance that the business does not prioritise its own commercial interests over the interests of consumers.

This role is reflected in the CAB’s Terms of Reference (ToR), which states;

“The purpose of the CAB is to review the business of Fairer Finance so as to satisfy itself that the company’s commercial relationships do not affect its analysis of firms and their products, its campaigns, its public pronouncements, or its policy advice.”

The CAB’s ToR also requires the CAB to produce an Annual Report which summarises its work and opines on whether it believes it has fulfilled its purpose in the year.

This document is the CAB’s Annual Report for the year ending 31st March 2022.

¹ <https://www.fairerfinance.com/about-us>

² <https://www.fairerfinance.com/about-us/our-advisory-panel>

The CAB's work during the year

During the year the CAB continued to follow a risk-based approach when setting-out to assess whether Fairer Finance's commercial relationships have affected its independence.

Using this approach, the CAB identified the primary mechanisms through which it felt Fairer Finance's commercial relationships *could* affect its independence and then sought evidence to help it assess whether any of these risks had materialised in the year or were, in the CAB's opinion, likely to materialise.

The five key risk areas identified were;

1. Pressure to generate revenue influences FF's independence and opinions of firms,
2. Undue pressure from clients and/or potential clients affects FF's independence,
3. Changes to FF's methods and approach reduces its independence and/or weakens its opinions,
4. Complaints by firms, the media or other parties influence FF's opinions and
5. Environmental factors influence FF's independence and opinions (this risk continued to be particularly relevant in 2021/22 given the impact of the Covid pandemic on the UK financial services market and the broader economic environment).

The CAB collected its evidence primarily via a targeted information and data request to Fairer Finance; and targeted evidence sessions with James Daley and the heads of the three key divisions within Fairer Finance, namely: co-Heads of Research, Dr Oliver Crawford and Dr Daniel White; Head of Consultancy, Richard Robinson and Fairer Finance's Associate Director responsible for building Fairer Finance's commercial relationships, David Murphy. In addition, the CAB held a number of meetings during the year at which it invited James Daley to provide an update on Fairer Finance's business and activities. Finally, the CAB's Chair, Paul Pester, attended the Fairer Finance Board meetings throughout the year.

The evidence collected covered not only Fairer Finance's activities under its own brand but also its relationship with *The Times* and *Sunday Times* to create their *Money Mentor* website³.

³ <https://www.thetimes.co.uk/money-mentor/>

Taken together, the CAB believes the information it received has enabled it to build a fair and balanced picture of Fairer Finance's activities through the year, its performance against the five key risk areas identified and thereby to enable the CAB to achieve its objectives as defined in its ToR.

Some observations by the CAB

During its analysis of Fairer Finance the CAB touched on a wide number of issues and topics. Of those some were felt to be of particular importance and are therefore summarised in this section.

During our 2021 Report⁴ we highlighted the importance of data accuracy to Fairer Finance and the steps it takes to test the reliability of data it receives from its data suppliers and those it generates itself. We said the CAB was encouraged to hear of the tests that had been developed and implemented to validate the accuracy of data Fairer Finance receives and to identify any irregularities.

The recruitment of two new co-Heads of Research, joining after the previous incumbent had been in role for a number of years, has led to a healthy questioning of the techniques Fairer Finance uses for data collection, analysis and storage. We welcome this.

However, given the importance of accurate and robust data to Fairer Finance's ratings, opinions and public commentary, we have encouraged James to think about implementing a regular review or "audit" of the data Fairer Finance holds by product area. James has acknowledged the importance of this topic to the CAB. It remains an area that the CAB is likely to continue to pay close attention to during the coming year.

Fairer Finance's customer experience ratings and product ratings are key tools enabling consumers to make more informed purchase decisions in key retail financial services markets. However, Fairer Finance's ratings aren't the only ones that consumers may come across.

As we explained in our last Report, star ratings of one form or another are becoming increasingly visible on websites, in product literature and in advertising in general across a range of industries and markets. Many close to the internal workings of this "ratings industry" have concerns that economic pressures – and in some cases the business models of the ratings firms – is leading to "ratings inflation" where an increasingly large proportion of ratings awarded are "five stars" or overly positive. This undermines the value of ratings to consumers.

⁴ <https://www.fairerfinance.com/assets/uploads/images/avatars/CAB-Annual-Report-2021.pdf>

Since our last Report this topic has continued to be an issue for the wider ratings industry with, for instance, Trustpilot admitting to purging 2.7 million fake reviews from its site in 2021 and Yelp removing 8% of reviews posted on its site during the same period⁵. It's becoming increasingly clear that there is a grey market where businesses are willing to pay third parties to write false positive reviews for them and that, in some cases, ratings firms are dragging their feet in dealing with the problem.

When investigating this risk with Fairer Finance the CAB were encouraged to hear that, (to our knowledge) uniquely amongst rating firms, Fairer Finance puts a cap on the proportion of rated products receiving five stars to no more than 15% in any one product sector – with many sectors coming in materially lower than this.

The CAB believes this approach means that consumers can continue to rely upon Fairer Finance's ratings to help differentiate financial services products. The CAB encouraged James and the Fairer Finance team to continue to reinforce this key aspect of Fairer Finance's ratings as the "ratings inflation" story potentially undermines the value of ratings in consumers' minds.

Finally, as the UK economy emerged from the COVID lockdowns Fairer Finance was not alone in experiencing the impact of the Great Resignation⁶. However, the impact on staff turnover at Fairer Finance has been exaggerated since, following the successful crowdfunding round via Crowdcube, the business has also been recruiting into new roles to support its growth and expansion. Taken together, this means that a little over 60% of Fairer Finance's workforce have been with the business for less than nine months.

As we highlighted in our last report, the CAB has been impressed by the culture at Fairer Finance. The steps taken historically by James and his senior team to identify and manage the potential conflicts between the independence of Fairer Finance's ratings and opinions and its commercial ambitions have been robust and "baked-in" to the culture of the organisation. Through our data collection and evidence sessions the CAB were very focused on understanding what the business had done to maintain this strong culture when faced with such high proportions of new recruits.

We were encouraged to hear of a number of specific actions taken by James personally to maintain the core values underpinning Fairer Finance's culture as he

⁵ <https://www.investorschronicle.co.uk/news/2022/03/23/fake-reviews-undermine-confidence-in-trustpilot/>

⁶ <https://www.thehrdirector.com/business-news/employment/the-great-resignation-continues-with-almost-a-third-of-uk-workers-considering-a-career-change-in-2022/>

recruited and inducted each new member of staff. We were also encouraged to hear a clear understanding of potential conflicts – and how to manage them – from the new co-Heads of Research during our evidence sessions.

Overall, the CAB felt comfortable that the key aspects of Fairer Finance’s culture so important to its independence and, ultimately, to the trust placed in it by consumers and the industry, were being maintained through the high level of staff turnover experienced this year.

This is an area the CAB will continue to track as Fairer Finance’s growth plans become a reality.

The CAB’s opinion for the year ending 31st March 2022

Based on the information it has sought and received from Fairer Finance during the year, its meetings with the Fairer Finance CEO, James Daley, its meetings with key Fairer Finance executives, its observations of the Fairer Finance business through the year and its attendance at Fairer Finance Board meetings, the CAB **has** been able to satisfy itself that the company’s commercial relationships have not affected its analysis of firms and their products, its campaigns, its public pronouncements, or its policy advice during the year.

26th May 2022

Fairer Finance Consumer Advisory Board

Helene Brichet

Laurie Edmans

Sue Lewis

Paul Pester (Chair)

Otto Thoresen