

FAIRER FINANCE CONSUMER ADVISORY BOARD

Annual Report 2017/18

This is the third annual report of the Consumer Advisory Board (CAB), established by Fairer Finance soon after its own establishment in 2014. After three years it's worth reminding ourselves of the purpose of the Board. Its terms of reference state that we exist to "scrutinise the business of Fairer Finance, ensuring that the company engages only in work that is to the clear benefit of financial services consumers, and to report on the outcome of its scrutiny". Fairer Finance generates most of its income from financial services firms and it is vital for the reputation of the firm that potential conflicts are identified and managed. Our Board is in place to provide independent oversight and guidance to ensure the positions taken and ratings published by Fairer Finance are objective and unbiased. The Board is confident that Fairer Finance has remained true to its objective of "creating a fairer financial services market for consumers – and the businesses that serve them". The remainder of this report explains how we have come to this conclusion.

The first part of our approach is to observe, almost as an outsider, what Fairer Finance actually does. For example, a major piece of policy work was completed in 2017/18 on the future of the funeral plan market. This was commissioned by a firm in that market, but there was no evidence of the final report being influenced by that firm. The report itself, however, proved very influential, sparking significant media coverage, and eventually announcements from the Competition and Markets Authority and HM Treasury that they would be investigating different aspects of the funeral market. The overall outcome of the Fairer Finance work is likely to be a fairer, safer and more effectively regulated funeral plan market for consumers.

Towards the end of the previous year Fairer Finance awarded its first Clear and Simple Mark to supplement its Customer Experience Ratings. The new Mark helps consumers identify those companies that offer straightforward, understandable, and fair terms and conditions on their products. The CAB took a great interest in the calculation of the Mark, confirming that the ratings system was evidence-based and did not favour firms with which Fairer Finance had, or was seeking, a commercial relationship. (In fact there were examples where a Mark was not awarded, despite working with a firm on a broader piece of consultancy work.) To supplement this, during the year under review, Fairer Finance introduced its product ratings, which rate the features of companies' individual product offerings. After careful assessment we reached the same conclusions on the integrity of these ratings as we had on Fairer Finance's other consumer information services.

The CAB received a full demonstration of the new data portal that gives firms insights into how they and their competitors were viewed by consumers, and was also given a full explanation of the detailed changes made during the year to the Customer Experience Ratings, and to the company's website, which was improved to make it more accessible to those with visual impairments.

It remains the case that Fairer Finance generates most of its income through work it undertakes for financial services firms. Sometimes this work is related to policy – such as on funeral plans – but more frequently Fairer Finance is asked to improve or rewrite a particular policy document or set of terms and conditions. The CAB receives a full listing of all work undertaken by Fairer Finance, the value of each contract and, on request, full details of those contracts.

As in 2016/17 we sent the Fairer Finance Managing Director a detailed questionnaire towards the end of the financial year, designed to give us information to both assess the commercial pressures on Fairer Finance and the conflicts it might face in dealing with such pressures. Fairer Finance is a limited company, but is under no pressure to pay dividends, and its shareholders are locked in for at

least seven years from its foundation. The Chair of the CAB attends the Fairer Finance board meetings and would be party to any discussion of dissatisfaction in this area. None has occurred. The company has maintained an appropriate level of reserves to cover future expenditure, in line with its risk management policy. We were pleased to see that the proportion of income generated from the largest three clients fell in 2017/18 compared to the previous year demonstrating a reduced concentration risk. There was also a healthy turnover of clients, with some new ones balanced (to a lesser extent) by losses of others. No staff are employed on a commission basis, with their income dependent on obtaining new business. Every member of staff receives a bonus at the end of the year, but that is related to how well the firm has done as a whole. No one receives bonuses directly attached to bringing in new business, although such an approach had been tried previously.

We also sought information to enable us to assess whether clients were treated more favourably in Fairer Finance's blogs and other media work. It would be inappropriate to give examples here, but the details we received confirm our feeling that firms who contracted for a specific project with Fairer Finance were not buying the company's longer term loyalty on unrelated issues. Elsewhere, Fairer Finance is represented on various advisory panels at clients and regulators. We know that Fairer Finance has been explicit in stating that it will speak freely to the media on the relevant issues, and this has been accepted.

Finally, we have been given examples of where Fairer Finance has turned down revenue-generating opportunities where these would have conflicted with its desire to maintain the integrity of its research and data. Indeed, we are certain that Fairer Finance continues to prioritise independence and integrity over revenue opportunities.

There is always a danger that a group such as ours might be "captured", losing its independent viewpoint, as it gradually gets to know Fairer Finance better. To guard against this one new member was appointed. We were delighted to welcome Laurie Edmans to the CAB towards the end of the period under review. A full biographical note on Laurie can be found on the Fairer Finance website. We expect the CAB to experience further turnover in the future. As in previous years the members of the CAB were unremunerated, and did not claim expenses for attending meetings.

Overall, the CAB believes that Fairer Finance has experienced a successful year, and that in pursuit of that success it has not had to compromise its founding principles. It remains a force for good in the retail financial services markets, and provides a variety of services that either help individual consumers get a better deal for themselves, or will lead to a reform of markets that will enable those markets to work better for consumers as a whole.

Fairer Finance Consumer Advisory Board
Adrian Coles (Chair)
Laurie Edmans
Christine Farnish
Otto Thoresen

26 July 2018