

## FAIRER FINANCE CONSUMER ADVISORY BOARD

### Annual Report 2019/20

This is the fifth Annual Report of the Consumer Advisory Board of Fairer Finance. Fairer Finance was established in 2014, and has now established itself as a major commentator on personal finance issues and an important campaigner for consumer rights. At the same time it has helped many financial services firms improve their products and literature in a way that enhances their relationship with their customers. A majority of new businesses fail within five years of their foundation, and we are delighted that from a standing start Fairer Finance has achieved so much. We believe congratulations are due.

The paragraph above has not been written lightly. The CAB takes very seriously its duty to act as a “watchdog”, and over the past year we have intensified our work to ensure that our opinions are fully backed up by evidence, and that Fairer Finance genuinely lives up to its mission statement: “we’re making finance fairer”.

Fairer Finance employs ten staff, has office premises, and IT costs. Where does the money come from to pay for all this? It comes from the financial services industry; more specifically the firms for which Fairer Finance undertakes consultancy work, or to which it makes various “good service” awards. How can the public seeking information from the Fairer Finance website, or government departments or think tanks seeking unbiased policy advice, be sure that the opinions expressed are untainted by the commercial relationships entered into by the firm? Answering this question represents the core of the CAB’s work.

As in the previous three years the CAB sent a self audit questionnaire to Fairer Finance in March 2020, comprising 22 detailed questions. We’re keen, among other matters, to learn how reliant Fairer Finance is on its largest clients, what the turnover of clients is, what sort of influences clients might seek to exert to obtain favourable ratings, what hospitality Fairer Finance accepts from the industry, the nature of any complaints received and how they are resolved, the impact of new initiatives and remuneration policies for staff. At the end of the year (March 2020) we were, of course, interested to know about the impact of Coronavirus on the business. Fairer Finance is a private business and we don’t publish the full results that we receive, as this might compromise commercial confidentiality, but the CAB would be pleased to receive any comments from readers, and suggestions for additional points it might investigate.

While the questionnaire is important, it doesn’t represent the totality of our activity. At its meetings the CAB is able to question Fairer Finance staff on current issues, and also meet alone when necessary. Adrian Coles, Chair of the CAB, met all Fairer Finance staff during the year and was, through detailed conversation, able to gauge their commitment to the ethics of the organisation. Adrian also attends all main board meetings of Fairer Finance, and with regular conversation with James Daley, Managing Director, is able to interact with and observe the organisation at all levels.

Back to the questionnaire. What do this year’s replies tell us? The firm’s turnover has continued to rise, but the proportion of income it earned from its largest client, and largest three clients, fell sharply in 2019/20 compared to the previous two years. There was also a significant turnover of clients, with new clients recruited, and projects completed for clients recruited in earlier years. We were also reassured to learn that the firm’s reserves at the end of the year were in line with its (fairly cautious) reserves policy, which means it is able to ride out business cycles without having desperately to seek new clients.

We looked for evidence that firms seek favourable ratings before committing themselves to working with Fairer Finance, but were assured that this was rare. During the year, Fairer Finance rejected a specific call from one firm to increase its ratings on the promise that the firm would buy an endorsement. Fairer Finance rates all firms, their products and their consumer experience on the same criteria, regardless of whether the firm buys another service.

We know also that staff can not be influenced by offers of hospitality from firms. Fairer Finance does not accept offers of gifts, travel, or tickets to sporting events or concerts. James Daley, Managing Director, does attend a few industry dinners, mostly run by trade bodies. The CAB believes that this enables James to stay in touch with market developments and is highly unlikely to result in any undue influence being exerted in Fairer Finance's work. Fairer Finance keeps a hospitality register, the contents of which are disclosed to the CAB on request. On a related issue, we have looked carefully at Fairer Finance's remuneration policy. All staff receive an annual bonus based on the financial performance of the firm, and their own performance. During the year under review no one was incentivised on sales performance, but a new sales person was recruited in March 2020, who could earn commission on the basis of their performance in 2020/21. This person has no links to the research and ratings work, however.

We know that Fairer Finance is keen to be notified of any mistakes it makes in the ratings, and we also know that mistakes are rectified quickly. However, requests from firms that their data is removed from the Fairer Finance ratings tables are normally rejected – all the data is compiled from publicly available data, or from commissioned market research. Consumers therefore know that the comparative tables cover the whole market.

We were keen to learn about the impact of Fairer Finance's new relationship with *The Times* newspaper. The partnership is explained fully on the Fairer Finance website. <https://www.fairerfinance.com/insights/blog/our-partnership-with-the-times> In essence *The Times* and Fairer Finance launched a new *Money Mentor* service in December 2019. All of Fairer Finance's ratings are published on the site, including some new ratings (on investment platforms and equity release). We were reassured to learn that the ratings work remains entirely independent of *The Times*, that the newspaper accepts and values the independence of Fairer Finance, and that the new venture has not damaged Fairer Finance's relationship with other media outlets. We are also pleased that the collaboration increases the reach of Fairer Finance's work, introducing it to a wider range of consumers, without threatening its integrity.

However, the rapid expansion of Fairer Finance's work did result in some initial data collection and data analysis teething problems, a few of which were still to be resolved at the end of March 2020. There is a clear commitment on the part of staff to conclude this work as rapidly as possible. Also the expansion of the markets covered by Fairer Finance led to a re-analysis of the way in which the consumer experience tables take into account companies that receive only a small number of uphold decisions from the Financial Ombudsman Service. Fairer Finance is looking at amending its approach later this year, and the CAB welcomes this.

There were no formal complaints made to Fairer Finance in 2019/20. There were some informal conversations, as some firms found themselves rated for the first time, and Fairer Finance rated products in markets with which it was less familiar. However, the Fairer Finance approach is to build relationships and trust, and gradually the outstanding issues have been overcome in a collaborative manner. We know, though, that Fairer Finance is acutely aware that its reputation is built on the accuracy and fairness of its data, and it can not afford any compromises in this area. As it moves into new markets and rates new products and firms, it is essential that Fairer Finance constantly re-

evaluates its approach to ensure that it remains relevant and fair. The CAB recognises that data recording and interpretation issues can arise when detailed research is being undertaken; it is kept fully informed by Fairer Finance management when they do.

The CAB keeps a close eye on the blogs published by Fairer Finance and the opinions expressed by its staff in other media outlets. We are alert to any suggestion that firms might be shamed into buying Fairer Finance services, or that the nature of any relationship that Fairer Finance has, or doesn't have, with a firm affects Fairer Finance's public comment on that firm. We find no such influence. Fairer Finance regularly comments - both positively and negatively - on firms with which it has a commercial relationship. However, it will generally refuse to be quoted in press releases issued by clients when, for example, it is launching a new product in which Fairer Finance has been involved on a consultancy basis. Similarly, we have examined the relationship Fairer Finance has with the organisations which it advises through membership of consultative groups, and find no evidence that public comment is affected by such arrangements.

We regularly review the content of the Fairer Finance website. We commend it for its clarity, and its transparency. Consumers looking for an analysis of how fair their bankers or insurers are will easily find helpful information. Others looking for insightful opinion on the nature of fairness, or the concept of excellence will find stimulating articles. And most importantly from the CAB point of view those with an interest in how Fairer Finance works, how it earns its money, who its clients are, and who is behind the firm will also find easily accessible material.

Inevitably, all annual reports these days contain an update on the impact of the Covid-19 crisis. The bulk of the work on ratings, consultancy and policy issues undertaken by Fairer Finance can be undertaken from home and IT systems appear to be working well. Face-to-face meetings have obviously fallen away, but the need for fair and objective analysis in personal finance markets has, if anything, increased in recent months. In the current environment the detailed features of insurance policies and overdraft facilities, for example, become of even more importance to consumers. The need for firms to describe their products in straightforward ways is similarly intensified. We have been informed that the new financial year has started well; however, we recognise that the current uncertain market conditions will have unpredictable effects on all businesses

Fairer Finance helps financial services firms through its consultancy services, and helps consumers by providing essential information that goes beyond the simple question of "who is the cheapest?" A properly informed consumer knows there is more to any purchase than just the price. A firm's service standards, complaints procedures, sympathy and understanding, and quality of staff are, in many circumstances, much more important than the interest rate or the cost of the premium. Similarly, the ways firms explain their products, the nature of their advertising, and the way they pay their staff are as important as the basic products offered. We believe Fairer Finance provides a way for both firms and consumers to improve the way they interact in the market for personal consumer services. What's more Fairer Finance does this with an integrity that is not always prominent in some financial services markets. We were pleased to read in the response to our questionnaire that "Fairer Finance would rather go bust than compromise our credibility". We believe that bankruptcy is more likely if Fairer Finance *does* compromise its credibility. We see no signs of bankruptcy or compromise. We remain convinced that Fairer Finance continues to do what it says on the tin – making finance fairer.

### **A note on CAB Membership**

The CAB remains unremunerated and no member claims expenses. During the year one of our founding members, Christine Farnish retired from the board, after over four years distinguished

service, for which the CAB is very grateful. Fairer Finance purchased a small gift, of less than £40 value, to mark Christine's significant contribution to its work. In addition our Chair, Adrian Coles, also announced that he would like to move on and Paul Pester was recruited in February, with a view to taking the Chair in May 2020.

In a personal note Adrian Coles said "I will be sad to leave Fairer Finance, having been connected with it almost since the beginning. However, it is vital that there is some turnover in the CAB so that a fresh eye can be applied to the work in hand, and over-familiarity is avoided. After five years this especially applies to the Chair. I wish Fairer Finance well, and will continue to use its ratings whenever I buy a financial product. I am sure the CAB will make good progress under Paul's leadership. More generally I'm equally sure Fairer Finance will continue to lead the way on building a better market for personal financial services."

Adrian Coles (Chair)

Laurie Edmans

Sue Lewis

Paul Pester

Otto Thoresen

21 May 2020