

**Fairer Finance**  
**Consumer Advisory Board**  
**Annual Report 2021**

Fairer Finance has a very clear vision: “to see a world where consumers trust, and even love, their banks and insurers”<sup>1</sup>. 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 Board<sup>2</sup> (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 31<sup>st</sup> March 2021.

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

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

### **The CAB's work during the year**

During the year the CAB decided to take 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 was particularly relevant in 2020/21 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; a targeted evidence session with James Daley and a targeted evidence session with the heads of the three key divisions within Fairer Finance, namely; Head of Research, Kate Doran; 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 relatively new relationship with *The Times* and *Sunday Times* to create their *Money Mentor* website<sup>3</sup>.

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<sup>3</sup> <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.

In reviewing its own approach to producing its report, the CAB felt that the continuing growth of Fairer Finance is likely to lead the CAB to requesting more extensive data and statistical analyses to supplement its evidence gathering in coming years.

### **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.

Fairer Finance makes very heavy use of data in its research reports and product ratings. Two key sources of data are consumer opinion data, provided by Fairer Finance's polling partner (and minority shareholder) Opinium and product feature data, typically sourced by Fairer Finance from product providers' websites and literature.

The opinions, ratings and public pronouncements produced by Fairer Finance are, of course, only as reliable as the data on which they are based. The CAB was therefore encouraged to hear of the tests that have been developed and implemented by Fairer Finance to validate data it receives and to identify irregularities.

However, the CAB were told that some of the data testing and validation was in the process of being moved "upstream" into Fairer Finance's data suppliers. Fairer Finance are clearly alive to the risks of relying on suppliers to perform such important tasks and are taking steps to ensure the new process is reliable. However, this is an area that the CAB will continue to pay close attention to.

Even with the most robust and reliable data, some complex products are difficult to assess and rank in a way that is digestible by consumers. For instance, a "simple" bank account could contain features such as credit interest rate, authorised overdraft interest rate, unauthorised overdraft interest rate, debit card fees for overseas transactions, foreign exchange rates, fees for a replacement debit card, charges for a CHAPS payment, etc. In order for Fairer Finance to be able to rank such products it creates a set of typical user behaviour patterns and calculates the cost of the product

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under those assumed behaviours. This approach is explained on Fairer Finance's website<sup>4</sup>.

During its information gathering the CAB focused on the processes used by Fairer Finance to design and, at times, refine these typical user behaviour patterns since, clearly, a change in the assumed use of a product could change the rating outcomes materially.

The CAB were encouraged to hear that Fairer Finance has a robust process in place for researching and developing typical consumer behaviours, including "testing" such behaviours with relevant product providers and experts in the relevant product markets.

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.

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 rating firms – is leading to "ratings inflation" where an increasingly large proportion of ratings awarded are "five stars". This undermines the value of ratings to consumers.

When investigating this risk with Fairer Finance the CAB were encouraged to hear that, potentially uniquely amongst rating firms, Fairer Finance limits the proportion of rated products receiving five stars to no more than 15% in any one product sector.

The CAB believes this approach means that consumers can genuinely rely upon Fairer Finance's ratings to help differentiate 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 builds in consumers' minds.

Finally, consistent with previous years' data collection and research, the CAB were impressed by the culture at Fairer Finance. In particular, the CAB felt the heads of the three key divisions were very aware of the potential conflict of interest between their activities and took concrete steps to manage these. For instance, systems and data is segregated between the Research Team and the Sales and Consulting Teams.

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<sup>4</sup> <https://www.fairerfinance.com/ratings/how-we-calculate-our-ratings#showProductRatings>

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However, given its recent successful crowdfunding round via Crowdcube, Fairer Finance is in the process of recruiting a relatively large number of new hires and expanding the product ranges it rates to include sectors new to Fairer Finance. In addition, the business is in the process of developing a range of potential partnerships similar to the one it already has with *The Times* and *Sunday Times*.

The CAB were encouraged to see that both James and the business heads are aware of the risks to Fairer Finance's culture this growth and addition of new skills presents. 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 31<sup>st</sup> March 2021**

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.

*24th May 2021*

### **Fairer Finance Consumer Advisory Board**

Helene Brichet

Laurie Edmans

Sue Lewis

Paul Pester (Chair)

Otto Thoresen