



The Advertising Association

7th Floor North, Artillery House, 11-19 Artillery Row,
London SW1P 1RT

Telephone: +44 (0) 20 7340 1100 Fax: +44 (0) 20 7222 1504
e-mail: aa@adassoc.org.uk web: <http://www.adassoc.org.uk>

RESPONSE OF THE ADVERTISING ASSOCIATION TO THE FINANCIAL SERVICES AUTHORITY CONSULTATION PAPER “FINANCIAL SERVICES COMPENSATION SCHEME REFORM: FAST PAYOUT FOR DEPOSITORS AND RAISING CONSUMER AWARENESS”

1. Preamble

1.1. The Advertising Association is a federation of trade bodies and organizations representing the advertising and promotional marketing industries, including advertisers, agencies, the media and support services in the UK. It is the only body that speaks for all sides of an industry that was worth over £19 billion in 2007. Further information about the Advertising Association, its membership and remit can be found at the following location: <http://www.adassoc.org.uk/>

2. Introduction & Summary

2.1. The Advertising Association welcomes the opportunity to respond to the Financial Services Authority (FSA) Consultation Paper “Financial Services Compensation Scheme reform: Fast payout for depositors and raising consumer awareness” (CP09/3). This response is concerned solely with addressing the proposals of the FSA around increasing the awareness amongst consumers of the existence of the Financial Services Compensation Scheme (FSCS), which has been operating since December 2001, and enhancing their understanding of its nature, basic coverage and role in protecting deposits.

2.2. The commitment of the FSA, HM Treasury (HMT) and the Bank of England (BoE), together with those responsible for managing the FSCS, to raising awareness of the Scheme and the compensation arrangements in place to which consumers are entitled is to be applauded. Educating consumers about the FSCS and how it operates is essential and a number of benefits should accrue from this. In particular, it might be anticipated that such a strategy would increase confidence amongst consumers in the financial services sector as a whole, thereby significantly reducing the likelihood of any future run on a potentially failing retail deposit-taker by its customers – and, by extension, wider contagion in the market¹.

2.3. In this response, the Advertising Association:

- endorses the decision by the FSA to fund an advertising campaign aimed at raising awareness amongst consumers about the FSCS, informed as that commitment has been by the significant amount of market research commissioned by the Authority, identifying the need for such an intervention;
- extracts the key findings of the qualitative market research conducted by Strictly Financial² on behalf of the Authority, which suggest that the campaign be FSCS-

¹ A lack of consumer awareness about the existence of the FSCS appears likely to have contributed to the reaction by the public to concerns about Northern Rock in September 2007, which ultimately led to the run on that deposit-taker. (It is recognised that introducing a fast payout mechanism would also strengthen market confidence and reduce the risk of a possible run on a deposit-taking institution.)

² Strictly Financial is a qualitative research agency.

branded (rather than FSA-branded) and that the fullest possible range of advertising media channels available be utilised in any promotional strategy;

- supports the decision by the FSA not to require financial services advertisers to make reference to the FSCS within their own advertising, whilst allowing them to continue voluntarily to make reference to compensation schemes (within the parameters laid down by existing statute).

2.4. The Advertising Association is grateful to the FSA for the short extension granted to it to the original deadline laid down by the Authority for the receipt of responses. The Advertising Association looks forward to publication by the FSA of a document detailing the outcome of its consultation in due course. No part of this submission should be treated as if it were confidential in nature.

3. The evidence supporting the need for an FSCS consumer awareness campaign

3.1. The Advertising Association fully supports the decision of the FSA to fund an advertising campaign aimed at raising awareness about the FSCS amongst consumers.

3.2. The need for such an awareness campaign is underlined by the findings from the various pieces of independent qualitative and quantitative consumer research that the FSA has commissioned since the start of 2008. The conclusions drawn from these findings have been complemented by views garnered through other fora. The relevant findings and views collated are summarised in Paragraphs 3.3 to 3.5 below.

3.3. Research commissioned by the FSA from the market research company TNS-Global in January 2008, which sought to gauge the level of consumer awareness of the FSCS and the compensation arrangements in place, found that only 20% of those surveyed were aware of the existence of the Scheme. The Advertising Association considers the date of the commission significant and the finding disturbing, given the relative proximity of the events surrounding the run on Northern Rock³, in the immediate aftermath of which the FSCS brand was very much to the fore. (It would not have been unreasonable to have anticipated that more people would have been aware of the existence of the FSCS less than six months on from the run on Northern Rock.)

3.4. The Advertising Association understands that an HMT workshop held in February 2008, which focused on consumer awareness issues (and had financial services firms, relevant trade associations in that sector and other interested parties in attendance), pointed to a general acceptance amongst these informed groups that action in this area was required. Furthermore, on the basis of responses received to a consultative exercise launched jointly by the FSA, HMT and BoE in January 2008, these bodies concluded that consumers should be rendered better informed about compensation arrangements, and be supported by the financial services sector in achieving that objective.

3.5. The TNS-Global findings, cited in Paragraph 3.3 above, were reinforced by those arrived at by Strictly Financial on a joint commission from the FSA and the operators of the FSCS in September 2008⁴, which had the objective of informing policy- and decision-making by those two bodies. The research ascertained current levels of general consumer awareness about the FSCS twelve months on from the run on Northern Rock. In addition, in respect of those consumers that were aware of the FSCS, the depth of that knowledge was investigated and the views of these particular individuals sought about what they considered the general public needed to know about the Scheme and how pertinent information might

³ TNS-Global Omnibus Survey, January 2008 (unpublished)

⁴ *Consumer awareness of the Financial Services Compensation Scheme* (published January 2009) used consumer focus groups drawn from across the country and from varying social backgrounds.

best be provided to people. The Advertising Association identifies those findings from the Strictly Financial research, in section 4 of this response immediately below, that appear most pertinent to how the FSA and the operators of the FSCS should approach any awareness-raising campaign about the Scheme.

4. Analysis of Strictly Financial research: implications for an FSCS campaign

4.1. Having analysed the report⁵ detailing the research findings arrived at by Strictly Financial, the Advertising Association considers below how they might inform the approach of the FSA and the operators of the FSCS towards the branding, content and timing of any awareness campaign as well as which advertising media to select to maximise efficacy.

Branding

4.2. In order to minimise the scope for creating confusion amongst consumers, the Advertising Association supports the proposal coming out of the Strictly Financial research that any advertising campaign be conducted under the FSCS brand, rather than the FSA one, albeit supported by the Authority (and the industry). The FSA and the financial services industry itself should ensure that where references are made to the FSCS in their own communications it is consistent with the messaging in any overarching advertising campaign for the Scheme.

4.3. If the advertising campaign proves effective, it might be anticipated that consumers would come to perceive the FSCS logo as a form of guarantee that deposits made by prospective customers were secure up to a certain threshold with particular providers⁶. Whilst the FSA should seek to ensure any campaign is cost-effective but sustained such that awareness levels about the existence of the FSCS do not drop away (which could otherwise come about quickly – see Paragraph 3.3), it might be that, in the longer term, deposit-takers decide to make reference voluntarily to the Scheme in their own advertising. (One obvious purpose of a financial services advertiser doing so would be to reassure current or prospective customers that their deposits are, or would be, covered by the FSCS.) Indeed, given that the FSCS and the compensation arrangements the Scheme offers are funded by the financial services sector, deposit-taking institutions might see advantage in building up their reputations by drawing attention to their investment in an undertaking that protects consumers⁷.

4.4. The Advertising Association would also observe that the FSA could learn from any brand-building exercise that is run around the FSCS. It may be that the FSA could draw on that experience to build up its own brand, such that the logo of the Authority became a badge of reassurance for consumers to the extent that financial services companies might also actively choose to refer to the Authority in their own advertising material. Were this to happen, it might provide an opportune moment to reconsider the utility and extent of the mandatory information that the FSA currently requires to be incorporated in financial promotions.

Tone and content

4.5. The Strictly Financial research found that whilst consumers considered that the FSCS deserved a greater amount of publicity, the focus groups were also concerned that the subject should be treated with the greatest degree of sensitivity in order to avoid causing

⁵ *Consumer Awareness of the Financial Services Compensation Scheme*, Strictly Financial, January 2009

⁶ The threshold is currently £50,000 per individual per authorised institution with which deposits are placed.

⁷ It will also be a means of differentiating themselves from non-UK deposit-takers operating here that may have less generous compensation arrangements in place.

anxiety, alarm or even panic amongst consumers. The benefit of making information about the FSCS more widely available would otherwise be completely undermined and in fact have an effect that was the polar opposite of the one intended. Strictly Financial concluded therefore that the tone accorded to any campaign would be crucial and should emphasise the positive nature of the FSCS and thereby imbue consumers with a sense of control and empowerment in respect of their deposits⁸.

4.6. In terms of the content of any advertising campaign, over and above pointing to the existence of the FSCS, the consumers from whom Strictly Financial sought views made several other key observations. Firstly, that the statutory nature of the FSCS, of which the over-riding objective was to protect consumers, together with the independence of the Scheme from the financial services industry, were considerable assets that should be underscored in any advertising campaign. Secondly, that the content of the campaign should be kept as simple as possible and contain as few other messages as possible, perhaps only informing consumers as to the threshold up to which their deposits are protected with each authorised institution, before pointing them to their financial services provider for more detailed information about the FSCS.

4.7. Once the FSCS brand had become better established in the public mind, advertising campaigns could be used to inform consumers of any increases in the threshold or any other variations to the Scheme.

Timing

4.8. The research by Strictly Financial identified another concern amongst consumers, not dissimilar to the issues around content and tone already identified in Paragraph 4.5 above, that might apply at the time of any launch of a campaign. The issue in respect of timing of the launch of any campaign highlighting the existence of the FSCS was that consumers might ask themselves why they were being alerted to the accessibility of the Scheme at that particular moment. The risk was that consumers might wrongly deduce that they were being informed as to the existence of the FSCS because of some emerging or impending problem in the financial services sector. Again, as discussed in respect of content, this could have an effect that was the polar opposite of the one intended, which was to reassure consumers precisely because of the existence of the FSCS. The issues around timing therefore make it even more important that any advertising campaign around the FSCS strikes the right balance in terms of content and tone.

Choice of media

4.9. The Advertising Association notes that work by the FSA on the wider strategic programme of communications to publicise the existence of the FSCS was, when the Authority launched CP09/3, at the very earliest stages of development⁹, but that a mid-2009 roll-out was being worked towards. In CP09/3, the FSA proposes that a television advertising campaign be used to build awareness of the FSCS, “supported by further media coverage such as advertisements in newspapers”¹⁰. The Advertising Association also notes that the prompting questions for consumers used to conduct the Strictly Financial research referred only to the two largest advertising media, namely commercial television and the press. Television and newspapers are certainly highly effective advertising media, but in order to raise awareness amongst the widest range of consumers, the Advertising

⁸ The light-hearted tone of the advertising conducted by HM Revenue & Customs, some of which features cartoon characters, about another weighty subject – personal tax returns – was cited by a number of consumers during the research conducted by Strictly Financial as a possible model in terms of the tone adopted for any awareness-raising advertising campaign around the FSCS.

⁹ CP09/3 was launched by the FSA on 7 January 2009.

¹⁰ “Financial Services Compensation Scheme reform: Fast payout for depositors and raising consumer awareness” (CP09/3), FSA, January 2009, page 43, paragraph 8.22 (first bulletpoint)

Association considers it incumbent upon the FSA to utilise the fullest range of media channels available to carry any campaign. It is notable in this context that in the research findings published by Strictly Financial, the consumers from whom the market researchers sought views recognised that “different media appeal to different people”¹¹, suggesting the need for the greatest possible number of channels of communication to be utilised.

4.10. Naturally, the FSA should also make use of those other communications assets at the disposal of the Authority, including its existing consumer channels and delivery mechanisms, (such as the Moneymadeclear website¹²) for further disseminating and reinforcing the messages contained within any overarching advertising campaign for the FSCS.

5. Content of FSA Sourcebooks

5.1. The Advertising Association notes that a number of the non-advertising proposals for raising awareness of the FSCS amongst consumers will require amendments to be made to the disclosure requirements contained within the full FSA *Handbook* - notably the addition of a new Chapter (“Disclosure requirements for firms that accept deposits”) to the Authority’s existing *Compensation Sourcebook*. The FSA intends that the rules contained within any new Chapter introduced into the existing *Compensation Sourcebook* later this year should come into force on 1 January 2010.

5.2. The Advertising Association welcomes the fact that the FSA is not proposing to amend Chapter 4 (“Communicating with clients, including financial promotions”) of the Authority’s *Conduct of Business Sourcebook*, so as to introduce any new information requirements (such as mandatory references to the FSCS) into financial promotions by deposit-takers¹³.

5.3. As the FSA is aware from previous submissions by the Advertising Association to other consultations by the Authority, the trade body opposes in principle the addition of new mandatory information requirements into financial promotions for a variety of reasons and has furnished evidence to support its contention that consumers derive no benefit from advertisements overloaded with such extraneous material. The situation is, however, entirely different if advertisers are choosing to include information voluntarily, about for example the regulator under which they operate, because they see value to themselves in doing so (perhaps as a means of generating consumer confidence in their product or service) and are therefore willing to pay for the additional media space necessary to incorporate it. It is encouraging that the FSA appears to be starting to take these long-highlighted concerns on board and is more willing to question the utility of crowding extraneous information into what are, ultimately, intended to be transient marketing communications, not detailed product brochures. It is interesting to note then that the consumer research conducted by Strictly Financial also pointed to the fact that consumers do not appreciate advertisements that try to tell them everything at once, as this can have a tendency to overwhelm its audience¹⁴, which appears to bear out earlier findings in this field.

9 April 2009

¹¹ *Consumer Awareness of the Financial Services Compensation Scheme*, Strictly Financial, January 2009, page 48

¹² <http://www.moneymadeclear.fsa.gov.uk/>

¹³ Information about deposit protection schemes, where advertisers chose to provide it in their financial promotions, must comply with the requirements set out in Regulation 48 (“Information in advertisements”) of The Credit Institutions (Protection of Depositors) Regulations 1995 (Statutory Instrument No. 1995/1442)

¹⁴ *Consumer Awareness of the Financial Services Compensation Scheme*, Strictly Financial, January 2009, page 48