IN THIS ISSUE:

- Business as usual in Westminster as ‘messy normal’ arrives
- Big banks should challenge themselves first before newcomers
- Interview: Tom McPhail on leaving pensions

Capital City Media

AN MRM GROUP PUBLICATION

Forward Look

June 2020

The wedding's off – but there are some anniversaries to mark instead

Many aspects of our lives have been cancelled in the past few months, but there are some notable anniversaries we should have in mind still.

Coronavirus has cancelled all the in-person social events of our lives and weddings are no different. Gone too are sporting events, birthday parties and festivals.

It poses a particular problem. Birthday parties and festivals and the like can simply be cancelled. Festivals can go online (as the Hay Literary Festival showed us) and birthday parties can be zoomified, or toned down. But can you really 'cancel' a wedding? It has to happen sometime surely?

This perhaps encapsulates the big question we all have now. When do couples reengage their mothballed wedding plans, and are they the same plans as before? The answer, it could be argued, would give us insight into whether or not the fabled V-shape economic recovery materialises.

Life is beginning to open. A few spreadsheets that have had downward trending numbers are starting to tick up again. I don't know about you, but my local park was heaving with young people enjoying the welcome recent sunshine, while my local pubs are innovating quickly to provide alternative services such as takeaway pints and fresh produce. It is a modestly-good sign in economic terms.

And (at the time of writing) there's talk of Boris Johnson soon allowing households to mix socially in each other's gardens – something so banal months ago, but potentially ground-shifting for people's lives now.

That's why in June we could see some interesting data on where we now are. Much of the devastating lows have been witnessed. The week of 15 June looks set to be a bumper one for the signals with the latest unemployment (16 June), inflation (17 June) and Bank of England rate decision (18 June) and monthly retail sales figures (19 June) all reporting.

While some of it will be steady-as-she-goes (from the Old Lady) and others will likely be negative (employment data is always delayed), stats from retail could provide a valuable insight.

Finally, one thing that can't be cancelled is an anniversary. And we have two very notable ones in June. On 3 June we'll be one year gone since the now infamous moment that Neil Woodford's funds were suspended. Much ink has been spilled in the intervening 12 months, and significant revelations have troubled some but created opportunities for others.

And lastly, as extraordinary as it might be, we'll be four years since the vote to leave the EU, on 23 June. On the 4th anniversary it is likely we'll have a clearer picture on whether the UK is set to end its transition period with or without a deal. Fuel to the fire, or a sideshow to the main Coronavirus event – it's hard to say – but the media seems more focused on the latter for now.

Read on in this month's Forward Look for insights from our public affairs counsel, enlightening interviews with Tom McPhail and Rishi Zaveri, and media and industry analysis from MRM and Capital City Media. All the best. *First published 28 May 2020.*

Edmund Greaves, consultant - news and content, MRM

The way forward looks messy – but 'normal' politics is back

Paul Montague-Smith - senior counsel - public affairs, MRM

The pause in cross-party conflict while the peak of the crisis was faced is, like the furlough scheme, unwinding.

We're entering the 10th week of lockdown. I don't know about you but it seems longer, and I'm one of the lucky ones. I have work to keep me busy and green space I can enjoy. I can only imagine what it must be like if you're a furloughed worker in the hospitality sector living in a one-bedroom high-rise flat, wondering if you'll have a job to go back to. No surprise, then, that the Government eased some of the restrictions and set out a plan – of sorts – to give people a sense that there is a way forward.

The way forward is looking messy though. The shine is starting to come off Boris Johnson's government. Even before the Dominic Cummings debacle the margin between the Conservatives and Labour in the polls was beginning to narrow. The Prime Minister's personal approval rating had begun to track down (-7 points in one month according to YouGov), while Keir Starmer's was on the up (+5). A 15-point lead in voting intention has now narrowed to six within a couple of weeks. Starmer has been meticulously and methodically chipping away at the Government's credibility on issues like the crisis in care homes and testing and tracing. The pause in cross-party conflict while the peak of the crisis was faced is, like the furlough scheme, unwinding.

The Scottish government has been at pains to carve its own path, as has the Welsh. Trade unions have been pushing hard for guaranteed safe working environments.But no-one can say their working environment will be safe, they can only reduce risk. Many are scared to go back to work or send kids to school. People with conditions that make them particularly susceptible to Covid-19 appear unlikely to be exempted from the winding down of furlough. Businesses need to be prepared to manage their employees' individual circumstances and concerns as best they can.

These issues have been playing out for MPs too. There has been a bunfight in Parliament about heading back to Westminster and what safeguards will be in place for them and staff. In the end the Government has had its way – the Commons is physically back on 2 June, with remote voting no longer possible. But it's generated great ill-will, particularly amongst MPs representing remote areas, which will accelerate the return to 'politics as normal' – i.e. taking proper lumps out of each other rather than appearing to work together in the national interest.

As government furlough support is unwound, businesses are being expected to pick up the slack. Many won't be able to. How they manage those issues and the communications around them will become even more important. Attention on corporate behaviour through the crisis – who has accessed government support and how they have treated their employees – will be intense for months to come.

With Government debt skyrocketing, the debate in Westminster is beginning to move on to how it will all be paid for. As predicted in our last note, Boris Johnson has confirmed he has no intention to return to the 'A-word'. If austerity is off the agenda, even without the PM implementing his levelling up agenda too, we can expect to live with much higher debt over the long term, with the Government seeking out radical policies to encourage higher growth, productivity and innovation. As government support schemes are rolled back and work begins on the Budget for November, the Chancellor will be looking for ideas. *First published 21 May 2020, and updated 29 May 2020.*

A third of Brits think the coronavirus crisis calls for more proactive financial planning

Mike Richards, director, Capital City Media

This month we've moved away from people's knitting skills and are looking at attitudes to financial planning and where people are going for guidance.

A survey from German publishing giant Gruner & Jahr, shows how people's attitudes are different across several European countries when it comes to future financial planning. The question asked was: "Does the situation demand an increasingly proactive approach to financial planning?"

One in three (32%) respondents in the UK thought it did. Just under a quarter (23%) of Belgians and French do too. But only 18% in Germany and 17% in the Netherlands, nearly half the UK's number, thought so.

In Sweden, consumption of the top-used media is up by one-fifth. TV dominates, especially streaming services like Netflix (giving Swedes ample opportunities to watch murder mysteries about themselves), but a very close second in media usage comes radio and the daily and evening print offerings. The people of Sweden trust radio, TV and quality daily newspapers as their most reliable source of news.

In the UK, our good friends at Research in Finance, produced a research piece highlighting the changing investment strategies of three very distinct groups: DFMs, investment advisers and private investors.

Among many other things, the research shows that confidence had understandably dropped with a third of private investors thinking the FTSE will drop further, although a quarter believed it would rise. DFMs and IAs are slightly more bullish with 28% of them believing the market will rise.

Slightly less than two-thirds of the advisers' client base have asked for no change in their portfolios. Also encouraging is that 87% of DFMs see this as a buying opportunity. 69% of private investors believe this too, with the asset classes they would look at including UK equities and global equities.

70% of private investors have recently bought investments and taken advantage of fallen prices. The areas which are benefiting are shares, investment trusts and ETFs.

The excellent weekly update we receive from Time Inc tells us that 46% of ABC1 adults like brands which are showing they are helping during this crisis. 25% of the same socio-economic group are consuming more magazine content. This group is also, understandably, concerned about their financial situations and planning for the future.

Time Inc believe (rightly so) that there is: "An opportune moment for financial services providers to really step up to the plate and provide practical advice and assistance and communicate in a reassuring and jargon-free manner."

The Mail print titles has sen steady increases in circulation, whilst Metro has continued to distribute to support key workers. 1.8 million is the average daily readership of the Daily Mail (circulations are: 808,000 Mon-Fri, 1.52 million Sat).

The Mail on Sunday has 1.9 million readers, their circulation is 806,000. Metro's average daily readership is 638,000, their circulation currently is 350,000.

Traffic to all Mail digital channels, MailOnline, Metro.co.uk and ThisisMoney.co.uk remains strong and collectively was up +30% last week versus pre-COVID-19 benchmarks. *First published 13 May 2020.*

FUTURE FINANCE: Employers "should pay auto-enrolment cash straight to employees to manage themselves"

In the latest instalment of our Future Finance interview series, we chatted to pensions guru Tom McPhail for his views on the industry, the future challenges it faces and why he's now decided to exit after 34 years for pastures new.

If you've got even a passing interest in pensions, it's a near certainty that you've heard of Tom McPhail.

The pensions guru of D2C platform Hargreaves Lansdown has spent 18 years at the Bristol-based FTSE 100 giant and is an automatic go-to for journalists and the industry at large.

News of his exit – to go and join an Electric scooter firm later this year – was therefore a shock to many.

"It is a big change for me, and it does feel weird to be leaving the industry behind after 34 years, but I am very excited. The new role makes me feel like I'm getting involved in a fulfilling purpose."

Electric scooters aside (more on that later), McPhail says there have been incredible and unforeseen changes in pensions in recent years, many of which he welcomes. However, one area still causing him consternation as he leaves is around auto-enrolment.

"The state pension reforms and move to auto-enrolment have been some of the big changes of the last decade in the UK, but there are still some major flaws.

"For DC savers, the issue now is that they are detached from their savings because of how it is set up. In terms of investments, what someone can access to save for their own future is entirely up to their employer and whichever provider they choose.

"I think we should have that choice back, and I'd like to see a change so that, if I started a new job, for example, I could say to my new employer 'give me the money to put in my own pension directly, rather than make me join your employee scheme.'"

While McPhail concedes many people will not want to take such an active interest in their pension when they start a new job with a new company, there should nonetheless be a choice so that those who want to manage it themselves are not penalised.

"Being a passive saver and having your employer sort your pension for you will obviously appeal to many, and overall auto-enrolment has been remarkably successful at getting millions more saving, but adding this flexibility to it would help it cater for an even wider demographic."

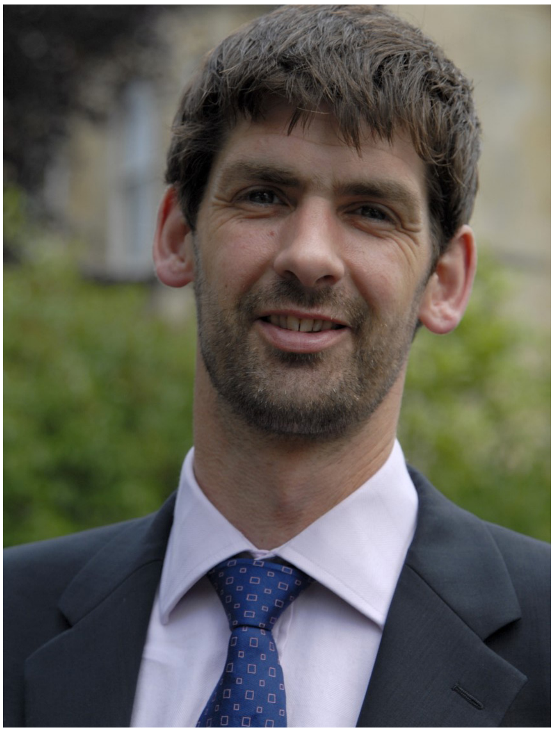
The other area he would change is the UK's antiquated and convoluted tax system.

"We are at this point now where millions more of us are saving for our retirements via auto-enrolment, and that is great. But with the onus put more on the individual thanks to pensions freedoms, we now need to make it as clear as possible for everyone to engage with their pensions.

"Unfortunately, so many aspects of the tax system built around pensions are wrong. People don't understand tax relief, annual allowances, lifetimes allowances and all the other nuances, so I'd get it all on the table and have a re-think."

Not that he thinks that change is coming any time soon. McPhail points out it's already been a radical half-decade for pensions ("I was as gobsmacked as everyone else when pensions freedoms were announced," he said) and going forward, apart from some changes which are already firmly in the spotlight, he expects it to be a quieter period.

> So many aspects of the tax system built around pensions are wrong. I'd get it all on the table and have a re-think."



"After the last few years and the major announcements we've seen, I don't think there will be many more radical changes to the state pension, or to the pensions landscape."

"The areas where you will see change are well-flagged already – including changes to the way pensions are taxed, with the Chancellor likely to see the abolition of pensions tax relief for higher earners as an easy victory for the Treasury now," McPhail said.

In 2018-19 this was the most expensive tax break the government gave out, costing £38bn, and by restricting tax relief an all pension contributions to 20% it could raise more than £10bn a year, according to estimates.

Away from pensions policy, McPhail says one area to keep an eye on more than ever is ESG investing.

Many of us are more concerned than ever about the environment following some unprecedented natural events in recent years, but as an investment option it has lost out to a focus on performance and returns.

It is here McPhail thinks some bright spark can really make headway in the future.

"People's attitudes towards ESG investing have changed in recent years and it is now much more front of mind.

"Unfortunately, the actual linkage between investors choosing these funds, and what the underlying corporate behaviour of a company is, have not worked in unison. I

"f someone can manage to build a bridge for that – so investors are really making a difference and can see it directly – that would be a very interesting development."

As to McPhail's own future, he is eager to get back to lobbying for a cause he strongly believes in.

"Currently, electric scooters can only be used on private land, which clearly restricts their utility as a mode of transport."
McPhail is a keen cyclist, and over the last few years his interest has moved on to electric scooters, but there is a lot of work to do to make them street legal, something he is relishing.

"The aspect I love is that there are some real opportunities here to push for policy change and to get them legalised for public use.

"Clearly there are regulations that need to come in for things to change, and there is a big pothole problem in the UK which would simultaneously need to be addressed, but it's a really exciting opportunity.

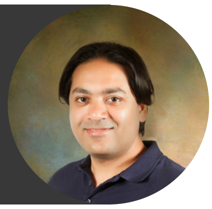
Will he miss HL itself?

"I've worked there 18 years so of course I will miss parts of it, but I've ended up working for a very different business to the one I joined, and I really like this new opportunity."

Nick Paler, Associate Director and Head of News & Content, MRM. First published 21 May 2020.

Two minutes with...Rishi Zaveri, co-founder of Lendwise

MRM catches up with Rishi Zaveri, co-founder of Lendwise, and finds out why he started his business, how coronavirus has changed his working habits and what he'd do if he were head of the FCA or Treasury for a day



1. Tell us about yourself? Why did you start Lendwise?
I spent 20 years in financial services before launching Lendwise in 2018 with my business partners. Over that time, I was increasingly interested in access to higher education. Unfortunately, the incumbent loan offering from high street banks for higher education is negligible to non-existent, limiting access.

We believe that if you are smart enough to go to university, and you have shown the aptitude and the application in your studies, a lack of funding should not stop you from pursuing your dreams and getting, for example, an MBA.

That is why Lendwise exists – to help those that want to keep learning to be able to do so without burdening them with unfair loan terms.

2. How has the current situation changed your working habits?
As an online business, we had already implemented remote working before the lockdown, so with all the relevant tools in place enabling us to function, it's been a seamless transition for us. However, on the positive side, there are people who have always been professional connections but who I never really spoke often too.

The lockdown has changed that as you can simply get in touch with people to check they are ok, and that closeness and connectedness will hopefully continue after this is over.

3. Once lockdown is over, what do you think will change in your business because of this experience?
In terms of technology, we were early adopters of video calls on Slack and Zoom, and both were commonplace for us before this, so there won't be any changes to how we operate.

4. What positives have you taken from the experience on a personal level?
I have two kids and I think what I've really appreciated the most is far more family time, and little things like eating meals together. This just didn't happen as much, and it's been great to get that time back.

5. What does financial services get right in the UK, and where could it improve?
Innovation stands out for me. It's a broad topic and can mean a lot of different things, but the UK as a whole really does foster innovation in financial services.

If you can think of doing something you haven't done before, the chances are someone has already enabled you to do it via an app, and that is incredible powerful and a big plus point for the UK. A lot of people think financial services is flawed but I don't see it. It is forever a balancing act between people's needs and regulatory change, and that can cause things to not run smoothly, but it's not a negative, it's just a fact of life.

6. If you could give a younger version of yourself one piece of financial advice, what would it be?
It wouldn't have mattered, as I probably wouldn't have taken it! On a serious note, my parents taught me early on in life that it is very important to save money, so I've always had that mindset. Of course it is all relative and there are people out there for whom it is difficult, but it's a mindset thing in my opinion, whatever the amount is, get in to the habit of saving.

7. What three things would you do if you were head of the FCA/Treasury for a day?
In the context of COVID-19, I would have taken everything that's been done for businesses – like the business bounce back loan scheme – and mirrored it for individuals. The pressures people are facing are extreme now, so a scheme to support people who are struggling would be helpful, especially as it seems many have been missed out by the various schemes announced so far.

8. What column or newspaper do you read every day?
The FT.

9. What would you if you received a windfall of £10,000?
I would donate it all to the NHS Charities Together, which Lendwise already supports. The amazing job they have done to protect us all is truly something to behold, and they can't be supported enough. *First published 27 May 2020.*

Big banks should challenge themselves, instead of worrying about the challengers

Paul Beadle, associate director, MRM

For the first time ever Monzo has been named the number one destination for customers switching their bank account.

During the last three months of 2019, Monzo saw a net gain over 20,000 switchers, beating long-time leader Nationwide into second place with a net gain of 15,000 switchers.

Does this mark a turning point for challenger banks? Is this finally the start of a revolution in digital banking? I don't think so, at least not yet.

The Current Account Switch Service (CASS) figures show that 260,000 customers switched their bank account during Q4 last year, with more than a million people using the service in the 12 months up to the end of March.

While this only captures switchers and not all those opening a new account, these numbers are really still a drop in the ocean of a market with an estimated 70 million accounts.

Of the other challenger brands, Starling Bank only saw 9,200 net gains over the period and even Monzo saw 2,800 customers leave it.

Co-operative Bank actually recorded a net loss of 4,600 accounts, followed by Clydesdale, which now includes Virgin Money, with a net loss of 4,100.

Ethical Bank Triodos had a net gain of 539 switchers, with the other low volume participants recording a total net loss of 2,800 accounts.

The CASS figures don't include Metro Bank, and because fintech poster child Revolut doesn't have a UK banking licence, it can't be part of the CASS scheme.

The bottom line is that despite all the positive PR around challenger banks and government talk about breaking up the monopoly and give people more choice, the big five banks still dominate.

This is despite the tens of thousands of customers who are clearly fed-up with their bank, based on the CASS figures detailing the number of accounts lost by the big banks. Lloyds was the third biggest gainer in Q4 with just over 13,000 switchers, but this should be weighed against a total of nearly 23,000 lost customers.

The biggest loser during Q4 was HSBC, which saw nearly 40,000 customers switch away against 44,500 gains, so a pitiful net gain of 4,500 during a period where the bank was offering a cash incentive for new customers.

But even this is better than Halifax which recorded the biggest net loss of over 22,000 accounts during the last three months of 2019.

Even so, based on the CASS figures, the rise of the challenger bank and digital-only bank is somewhat overstated, particularly as banks don't make money from current accounts.

Neither Monzo or Starling have turned a profit yet, primarily because they don't do much lending, while German digital bank N26 left the UK with its tail between its legs blaming Brexit, although its customer numbers were pretty low.

Big banks seem distracted by what's happening in niche areas of the market rather than focussing on core services

This doesn't mean the incumbents aren't worried by the new digital entrants. RBS spent £110 million launching its digital bank Bó, with its Monzo-like app, bright primary coloured card and Instagram influencer fan base. But the account didn't work that well, senior staff left the project and RBS pulled the plug on the whole thing after only five months in operation.

Quite why RBS felt it needed to launch a new brand is baffling. Including its NatWest customers, it already has the third largest share of the UK current account market after Barclays and Lloyds.

It would have been better off putting that money into making the experience better for its existing customers, rather than chase a brand-new audience that quite frankly might not even make it money.

But here's my confession, I'm a banking anorak with loads of accounts: Monzo, Starling, Revolut, N26 (before it went pop), and Atom Bank – remember them?

I even applied for an HSBC account earlier this year to take advantage of its cashback incentive, but the process took so long, including actually finding an open branch to prove my ID, that I gave up. Compare that with the ease of opening a digital account.

However, my main account, into which my salary gets paid and most of my standing orders come from, remains with Nationwide.

This is partly a hangover from when I worked there and got a discount on the packaged account's monthly fee, but also because I get a credit card with fee-free overseas purchases and preferential savings rates.

Now that Nationwide has axed the 3% interest rate on FlexPlus, I'm no longer sure the £13 per month fee is worth the benefits such as travel insurance, breakdown cover and phone insurance. I can also usually find better savings rate elsewhere and the credit card is no longer the best in class.

And here's the thing, every month I transfer a chunk of money from Nationwide to my Monzo account and use that for everyday spending because I like the speed of notifications, the money management tools and access to other products and services.

I might be tempted to go full Monzo if I could be bothered to move all my direct debits and payments over. Which brings us back to the Current Account Switching Service, so I have no excuse.

For me the big issue with the UK banking sector is not the lack of competition, because there are plenty of options for consumers.

And it's not even the hassle of switching, because that's what CASS was created for.

It's the fact that, even with a virtual monopoly, the big banks seem distracted by what's happening in niche areas of the market rather than focussing on boosting their core services to existing customers.

Instead of frittering away millions of pounds trying to emulate fintech start-ups, they should make their current banking apps better. They should strip away the confusing range of mediocre products, add new features and services.

Crucially they must improve customer service, which once again has come under scrutiny during the coronavirus outbreak, starting with all those people looking for payment holidays and small businesses in desperate need of loans to get them through lockdown.

Because if the banks don't sort out their service and finally start to rehabilitate a reputation that has been in the dumps since the financial crisis of 2007/08, it won't be a revolution that brings them down.

It will be death by a thousand cuts when people like me drift away to an alternative that feels more in-tune with the way they want to bank.

This article was first published on money-saving blog Mouthy Money on 11 May 2020.

Capital City Media

Dates for your diary...

01/06/2020 CIPS / Markit Manufacturing PMI

01/06/2020 Resolution Foundation Low Pay Britain annual report

02/06/2020 Monetary & Financial Statistics

02/06/2020 Bank of England effective interest rates

02/06/2020 Commons and Lords return from Whitsun recess

03/06/2020 One year since Woodford fund was suspended

03/06/2020 CIPS / Markit Services PMI

03/06/2020 British Retail Consortium Shop Price Index

03/06/2020 Workplace pension participation and savings trends: 2009 to 2019

04/06/2020 Household Finance Review

04/06/2020 CIPS / Markit Construction PMI

04/06/2020 Generational Wealth statistics

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

mrm
Capital City Media

Dates for your diary...

04/06/2020 Passenger rail usage statistics

04/06/2020 News consumption in the UK statistics

05/06/2020 Halifax House Price Index

08/06/2020 UK Regional PMI

09/06/2020 BRC-KPMG Retail Sales Monitor

09/06/2020 Barclaycard Consumer Spending Data monthly

09/06/2020 Mortgage Lenders and Administration Return (MLAR) statistics Q1

11/06/2020 Government consultation on Reforming Regulation closes

11/06/2020 House of Lords question on authorised push payment fraud

11/06/2020 Heathrow monthly traffic figures

12/06/2020 Monthly GDP estimates

12/06/2020 Bank of England quarterly inflation attitudes survey

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

Capital City Media

Dates for your diary...

12/06/2020 ICAEW Economic Forecast

12/06/2020 NIESR Monthly GDP Tracker

16/06/2020 UK monthly unemployment figures

16/06/2020 UK Finance Card Spending statistics

17/06/2020 UK monthly inflation figures

17/06/2020 Visa's UK Consumer Spending Index

17/06/2020 UK House Price Index

18/06/2020 UK interest rate decision

19/06/2020 Public sector finances

19/06/2020 UK monthly retail sales figures

22/06/2020 Markit Household Finances Index

22/06/2020 Rightmove Monthly House Price Index

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

Capital City Media

Dates for your diary...

22/06/2020 London Congestion Charge increased to £15 a day

23/06/2020 4th anniversary of UK voting to leave EU

23/06/2020 Flash UK PMI

25/06/2020 Zoopla House Price Index

28/06/2020 CBI Growth Indicator Survey

30/06/2020 Brexit transition phase extension deadline

30/06/2020 Nationwide House Price Index

30/06/2020 House of Commons Treasury questions

KEY

- Economy, Insurance & Investing
- Mortgages & Housing
- Public Policy & Regulation
- Pensions & Benefits
- Other

Capital City Media

14 Buckingham Street
London, WC2N 6DF

020 3326 9900

www.mrm-london.com
www.capitalcitymedia.co.uk