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Policy Team  
The Money Advice Service  
Holborn Centre  
129 Holborn  
London  
EC1N 2TD

**Consumer and Community  
Affairs**

4<sup>th</sup> Floor  
280 Bishopsgate  
London, EC2M 4RB

Telephone: 0207 672 4083  
Facsimile: 0207 672 4083  
[www.rbs.com](http://www.rbs.com)

By e-mail to [consultation@fincap.org.uk](mailto:consultation@fincap.org.uk)

Dear MAS Policy Team

**MAS Financial Capability Draft Strategy for the UK**

The Royal Bank of Scotland (RBS) welcomes the opportunity to respond to the Draft Consultation Paper for the MAS Financial Capability Strategy issued on 12<sup>th</sup> September 2014.

RBS fully supports the intention behind the strategy for the UK, to improve individual's capability to manage their own finances in the short and long term, contributing to measurable improvement in financial well being for the UK as a whole. RBS has and continues to be a keen advocate and supporter of financial capability, via our own financial education programmes MoneySense and Pocket Money which we have delivered to over 50% of UK schools for 20 years. In addition, our strategy is to deliver products and services that are simple, clear and fair and designed to support financial capability and accessibility.

In addition to our written submission, RBS has participated in and contributed to group stakeholder sessions in London and Edinburgh.

**Next Steps and Contact Details**

RBS is pleased to have the opportunity to provide input into the process and will be happy to help the MAS with any further information or questions about the contents of this response. Please address any questions or comments to Veda Harrison who can be contacted by telephone on 0207 672 4083 or by email at [veda.harrison@rbs.co.uk](mailto:veda.harrison@rbs.co.uk)

Going forward RBS would welcome the opportunity to be fully involved in any further stakeholder working groups being set up to work on specific aspects of the financial capability strategy and the financial sector.

Yours sincerely,

**Fiona Turner**  
**Head of Consumer and Community Affairs**

## **RBS - MAS Financial Capability Strategy Consultation response**

Questions	
<b>1. What time period should the Financial Capability Strategy cover?</b>	An initial time frame of 5 years is realistic, with annual break points to review and revise the strategy and achievements to date. Recognising that the strategy can and should evolve during this time ensures that it remains relevant and responsive to the macro economic changes that impact individuals.
<b>2. What is your view of the Financial Capability Framework?</b>	The framework is a useful way of explaining the varied aspects of financial capability. It is broad enough to allow for providers of financial education programmes to apply it to their own sector. MAS should ensure that clear definitions of key terms within the framework – financial resilience, education, well being, literacy, and inclusion are socialised across the sector, to enable the framework is applied consistently.
<b>3. How far do you agree with the objectives of the Financial Capability Strategy?</b>  <b>4. What is your view of the financially capable behaviour domains?</b>	The objectives of the strategy are set out clearly the three core areas that the strategy seeks to impact. The way in which the behaviour domains are defined suggests that they are not linked and individuals' behaviour is linear. Resilience, money management and tackling debt are often connected behaviours, as decisions in one area will also have an impact on another. For example, taking steps to reduce debt involves money management skills (keeping track of income and expenditure). Government departments such as the Behavioural Insights Team could help support effective framing of the benefit of long term savings and also the devices needed to ensure people make long term savings commitments (use of imagery, incentives, compulsion and opt outs). This in turn will lead to financial resilience in the short and long term.
<b>5. How important is it to measure financial wellbeing to help measure the impact of the Financial Capability Strategy?</b>	<p>Measuring financial wellbeing is one way of tracking the impact of the strategy. It has been acknowledged that an individual's position on the staircase can be as a result of a number of complex factors. An outcome rather than output based measurement allows for these complexities to be reflected.</p> <p>A more effective method may be to view wellbeing as a road map/progression route with triggers that may send an individual in different directions depending upon internal and external factors and decisions taken. These triggers (and the number of people who trigger them in any given period) could be used to measure the success of the strategy. 'Revolving door debt seekers' could be another metric used to measure impact of the strategy.</p> <p>It is important however, to ensure that whatever metrics are used, that that they are future proof and, if not achieved, can be clearly explained and take into account macro economics changes that may impact success. Measuring the trends associated with financial capability rather than absolute figures will ensure the strategy is not hampered a failure to reach a given number.</p>
<b>6. What are your views on the priorities for action that have been identified as a focus for the Strategy? Should any additional</b>	The priority areas correctly identify the key demographic groups which could be positively impacted by the financial capability strategy, as well as additional issues that the framework will need to address to ensure its success.

<p><b>areas be added?</b></p>	<p>However, within these priority groups there is a need to reflect different vulnerabilities and challenges, rather than take a 'one size fits all' approach. In particular, the priority area 'preparing for later life' would be better focussed on the challenges presented by different life stages, as the decision individuals take and their circumstances directly influence how financial capable and resilient they are.</p>
<p><b>7. How far do you support the Strategy's aim for children and young people?</b></p>	<p>The sector has a unique opportunity to help support our customers and develop good financial habits. Financial capability is vital to the economic health and wellbeing of the UK and we are committed to continuing to provide financial education for children and young people, and to working across the financial education sector to help the next generation become more financially capable. RBS is a longstanding advocate of financial advice of children and adults, delivering a variety of programmes over the past 20 years and our financial education programmes <a href="#">MoneySense</a> and <a href="#">Pocket Money</a> continue to be a key component of our Sustainability Strategy.</p> <p>In 2007 RBS research showed that 90% of UK adults never received money lessons at school, while 66% believed that having money lessons at school would have better equipped them to deal with the financial challenges of modern life. The MAS' recent research into money habits and pre school children adds further weight to the argument that starting young to form positive attitudes to money is important. By working with families and children, the strategy will ensure pre school children are targeted with financial education.</p> <p>The strategy should define what is meant by the 'highest level of financial well being' as this may vary depending upon an individual's starting point, social background, etc.</p>
<p><b>8. What is your view of the recommendations for action relating to children and young people? How could they be improved?</b></p>	<p>The recommendations for children and young people are broadly correct. However, evidence suggests that merely adding financial education on the national curriculum does not ensure effective teaching of the subject in schools. There is a need, therefore, for the teaching of the subject to be closely monitored and inspected by DfE/OfSTED to ensure consistency and quality. As financial service provider, we have been a long standing advocate and deliverer of financial education in schools, and our MoneySense and Pocket Money materials are regularly reviewed and externally accredited by pfeg (Personal Finance Education Group) to ensure that they are relevant and accessible.</p>

<p><b>9. How far do you support the Strategy's aim in respect of preparing for later life?</b></p> <p><b>10. What is your view of the recommendations for action relating to preparing for later life? How could they be improved?</b></p>	<p>RBS agrees with the challenges outlined relating to behaviour towards long term savings. Behavioural biases, in particular the trade off between short term sacrifice for long term benefit, have been difficult to alter and it is widely acknowledge that the UK is not a nation of savers. The Which? 'Savings Campaign' and TISA's (Tax Incentive Savings Association) call for a government 'Savings Minister' identify ways in which this attitude could be changed. There is also a responsibility on the industry to portray risk horizons in a different manner, for example, over the longer term of a savings plan rather than just a 5 year period. Doing this may help people make more effective saving &amp; investment decisions, meaning greater returns for the customer.</p> <p>There is a clear benefit from preparing for retirement and later life earlier in terms of the quality of life a person may have at a later age. RBS believes offering financial guidance throughout working life would be more beneficial. Specifically, guidance should be focused around different life events such as starting work as these are the most effective situations in which to enact a behavioural change.</p> <p>Employers have an opportunity to play a bigger role in encouraging savings, through schemes such as auto-enrolment, "Save More Tomorrow", work place ISA schemes and even non-retirement workplace savings schemes. The success of auto-enrolment, as compulsory saving is proved as a method to increase savings levels. However there is a significant challenge in understanding what the "right" amount to save is in order to maintain adequate living standards longer term. People enrolled in savings schemes may just contribute the minimum/default level at the start. A regular review of saving contributions is required to make use of changes in pay (promotions or pay increases) and there is an opportunity to influence this through tiered rates of interest on savings accounts.</p> <p>There also needs to be a clear cross party political consensus in delivering a message to the public that there will be less state support for future generations, with more responsibility placed on individuals to start saving for retirement earlier.</p>
<p><b>11. How far do you support the Strategy's aims for older people?</b></p> <p><b>12. What is your view of the recommendations for action relating to older people? How could they be improved?</b></p>	<p>We support the aims of the strategy with regards older people, and as a financial service provider, our aim is to make banking accessible for this group. However, having a consistent definition of the age group being targeted would ensure that the right type of service is made available to this group as the capability of an individual varies greatly between those considered 'over 50' to those in their 70s and 80s.</p> <p>The strategy could also be used to help frame policy and lobby for changes that better support customer outcomes. For example, FCA changes to the rules on Mortgage Market Review negatively impacted older borrowers who have been unable to re mortgage and scale down to a smaller property when this could have help them with family</p>

	<p>finances.</p> <p>Our range of tools on our customer facing websites (our Savings Goals, soft search for credit cards without impact credit ratings, and our overdraft and mortgage rate rise calculators) are all designed to be simple to use and accessible for all ages, including digital non-natives.</p> <p>The <a href="#">Planning Ahead</a> portal on our customer facing websites are organised by life stages and provide information to customers facing or in retirement and other related issues. This is all aimed at supporting the financial capability of this age group and by working with age appropriate charities (including Age UK) we ensure our products and services meet the varied needs of this group.</p>
<p><b>13. How far do you support the Strategy's aims for people with financial difficulties?</b></p> <p><b>14. What is your view of the recommendations for action relating to people with financial difficulties? How could they be improved?</b></p>	<p>We support the concept of early intervention and a single triage number for those seeking debt advice. Our pre-emptive case review team uses available data to support customers at risk of financial difficulty. Where customers are subject to benefits such as Universal Credit, it would be important to focus on how to help customers deal with priority debts (i.e. mortgages or rent).</p> <p>By developing a strategies that is consistent across not just the financial but other sectors (utilities, phone etc), MAS can create a holistic package for indebted customers. The same is important for identifying the right formal debt solutions and offering breathing space (which RBS already offers).</p> <p>Interest rate rises and other economic and political policy changes offer a key opportunity for the sector to work collaboratively via the strategy to ensure positive outcomes for customers.</p>
<p><b>15. How far do you support the Strategy's aims in relation to the ease and accessibility of products and services?</b></p> <p><b>16. What is your view of the recommendations for action relating to the ease and accessibility of financial services? How could they be improved?</b></p>	<p>With millions of daily interactions with customers, the financial sector has a great opportunity to help educate consumers. There are a number of levers available that the financial sector can use to drive better consumer capability including:</p> <ul style="list-style-type: none"> <li>• Enhanced customer journeys - providing information to consumers that is relevant and timely, and in language that is easy to understand.</li> <li>• Product Range – simplified products that consumers can understand, enabling them to make the right product choices. It also makes it easier for staff to give out the right information and handle customer queries. For example, RBS is rationalising its savings products range, removing 'zombie' rate accounts.</li> <li>• Customer Tools – provide intelligent tools that consumers can use to help work out what product is right for them.</li> <li>• Simplified terms and conditions – RBS is simplifying how we present information and how consumers can access it, aiming to reduce it to one page.</li> <li>• Post Sale Support – use of new media to communicate to customers on an on going basis keeping them informed of their product or service, including through Web Chat and Social Media.</li> </ul>

	<ul style="list-style-type: none"> <li>Smartphone technology - text and balance alerts, and apps. For example, 1.45 million customers have signed up for our 'Act Now' alerts that help customers ensure they have sufficient funds to cover transactions. We send on average over 250,000 account activity text alerts every day, of which 19,400 are Act Now Alerts. We estimate that customers who have registered for Act Now Alerts saved £17m in potential overdraft charges in 2012.</li> </ul>
<b>17. How far do you support the Strategy's aims in relation to influencing social norms?</b> <b>18. What is your view of the recommendations for action relating to influencing social norms? How could they be improved?</b>	<p>Clearer and more consistent messaging across the industry is required to create a common language and reference points for consumers. Creating mental heuristics (i.e. short cuts) that enable people to quickly judge whether they are above or below the 'average' (with regards savings or debt) is a good way to support this. While we appreciate there are risks here relating to giving generic advice, using 'rules of thumb' at least create reference points to support the embedding of a savings culture to counteract the normalisation of debt culture.</p>
<b>19. How far do you support the Strategy's aims relating to evidence and evaluation?</b> <b>20. What is your view of the recommendations for action relating to evidence and evaluation? How could they be improved?</b>	<p>While we welcome the evaluation framework has cross cutting themes with other strategies, it is important that the evaluation is in depth and client focussed. It should be relevant and ensure that proper interventions have sustainable outcomes for individuals and groups. The challenge to funders would be to be willing to take risks and value the points of failure which can improve future interventions, and not just successes.</p>
<b>21. How would your organisation like to be involved in further development of the Strategy?</b> <b>22. What role do you see your organisation playing in the implementation of the Strategy?</b>	<p>We would be interested in participating in a financial services focussed task force to look at how the sector can share best practise (with out compromising market position) to support the delivery on the strategy. As mentioned earlier, the UK financial sector play an important role in financial capability given our daily interactions with customers and partnerships with community groups and education. Before the strategy is finalised it will be important to map provision of services to ensure there are no gaps in provision, find complementarities and work in partnership.</p>