

RESPONSE TO THE UK FINANCIAL CAPABILITY STRATEGY CONSULTATION

1. What time period should the Financial Capability Strategy cover?

Discussions during the consultation events attended seem to suggest a time period of up to 10 years. However, our own views suggest a time period of 4-5 years to allow for proper evaluation of work and to take into account changes in political administration.

2. What is your view of the Financial Capability Framework?

This is a good general framework and we particularly liked the simplicity of the diagram.

3. How far do you agree with the objectives of the Financial Capability Strategy?

The objectives could be better articulated. We felt that there should be a point about being better connected to services both the existing and emerging.

4. What is your view of the financially capable behaviour domains?

We broadly agree with the classification of behaviour domains, particularly building resilience and day to day management of money as it acknowledges the fact that many people are struggling financially, through a variety of different reasons. We felt that seeking **early** debt advice should be included in tackling problem debt as identifying unmanageable debt as early as possible is key to minimising life damaging effects and finding appropriate resolutions. We also felt that “prepare for life ahead” should also include higher education due to the concerns raised by young people and their parents on the subject of student debt and its effect on their financial futures. This area should also include savings for children and young people as the removal of the Child Trust Fund means there is now no real encouragement to save.

5. How important is it to measure financial wellbeing to help measure the impact of the Financial Capability Strategy?

Financial wellbeing is very important and for the most part we liked the staircase to illustrate this. Concerns were raised, however regarding the sequential nature of a staircase and that further explanation may be required to clarify that financial wellbeing is not necessarily linear and that you could enter at any “stair” and progression or indeed regression could involve more than one “stair” at any time.

6. What are your views on the priorities for action that have been identified as a focus for the Strategy? Should any additional areas be added?

The priorities identified do cover most bases but we also liked the idea of using key “life events” as this is where people are receptive to both information and change. Additional priorities could be added around families/carers as these are groups who often facilitate any change.

7. How far do you support the Strategy’s aim for children and young people?

We fully support the Strategy’s aim for this group. However, we would like to see engagement in financial capability from a much earlier stage. This can be seen clearly in the Scottish curriculum where financial education is included from the aged of 3. Discussions after the Consultation event included a concern that this could cause a potential conflict between parent and child (mismanagement of family finances etc) therefore educational material would need to be age specific and appropriate to avoid this.

8. What is your view of the recommendations for action relating to children and young people? How could they be improved?

Generally the recommendations are good. We felt that a good example for simple, key messages is the Curriculum for Excellence in Scotland which uses 11 money outcomes as a simple framework for teachers to use to ensure lessons are compliant. We also felt that the recommendations could be broadened to include “peer to peer” learning. Financial education could be embedded in initial teacher training and allow for continuous provision throughout education. There is evidence to show that children as young as 3 can benefit from financial literacy as long as it is tailored appropriately and therefore asking Government to consider adding financial education to the primary curriculum is not going far enough. This is particularly important in light of recent research concluding that many financial behaviours are fixed in children by the ages of 7. We felt that young people should be encouraged to engage in the process, by use of social media and other user inspired tools and by co-designing the services so that Financial Capability becomes more than “ticking boxes” on the curriculum.

9. How far do you support the Strategy’s aim in respect of preparing for later life?

There are issues regarding whether there is a tangible benefit to saving and the fact that there are statutory penalties for financial resilience making it a disincentive to save in preparation for later life. As retirement age is increased, so we see more people dropping out of occupational schemes and therefore pensions may not be able to deliver the Strategy’s aim in “making ends meet” for all those reaching retirement. Again, we considered that we need to encourage people to think about “key life events” as opposed to just retirement.

10. What is your view of the recommendations for action relating to preparing for later life? How could they be improved?

We have some concerns about the delivery of financial capability to this group of people. We agreed that a programme supporting budgeting and money management should take into account the level already achieved as they are already dealing with drops in income (either reduction in benefit or static wages) and an increase in living costs. The programme should acknowledge that many are surviving day to day and that saving for the future may not be possible or at least limited and that needs of the customer may not be met by pensions. We should be taking into account timeframes as this group will include those closest to retirement as well as those much earlier on in the process. There were also concerns raised regarding the

Guidance Guarantee and particularly in the delivery of regulated advice due to the complexity of this type of financial management.

11. How far do you support the Strategy's aims for older people?

We agree with the Strategy's aims here but raised concerns over how realistic they are until we address issues such as poverty, ill-health and welfare reform.

12. What is your view of the recommendations for action relating to older people? How could they be improved?

We need to find better ways for an older population to identify themselves as needing assistance. This can be done through the existing networks at GPs surgeries, social clubs and care providers as well as developing better tools for internet access. More work needs to be undertaken to provide financial products which suit the demands and needs of an older population. In particular, the impact of Equity Release Schemes and Interest Only mortgages providing support for those facing capital costs. We need to be looking at how we are providing support for those facing funeral poverty and acknowledging the fact that older people are being statutorily penalised for financial resilience.

13. How far do you support the Strategy's aims for people with financial difficulties?

The strategy's aims are generally good but more emphasis should be placed on helping and empowering the individual to identify themselves as "at risk". If over two thirds of the over-indebted population considers their situation to be normal then should we be focussing in on changing these perceptions? Creditors could be playing a bigger part by producing higher quality products and statutory creditors should be looking at collection methods and affordability of repayments.

14. What is your view of the recommendations for action relating to people with financial difficulties? How could they be improved?

We could see potential problems within the recommendations particularly surrounding the statutory creditors and the conflict with providing advice and collection of public money. We felt that Scotland should be highlighted for good practice in relation to differing formal solutions, such as the Debt Arrangement Scheme (DAS). It has been acknowledged that early advice is key to resolving debt issues before they become unmanageable and therefore simple internet tools could help here. We also felt that not enough recognition has been given to the fact that an individual may not be indebted to be experiencing financial difficulties. More support needs to be given to those with mental health problems and that this should be considered in terms of actions and lender/creditor responses.

15. How far do you support the Strategy's aims in relation to the ease and accessibility of products and services?

Lenders need to involve themselves in appropriate and affordable short term lending. The choice of products is not available to those in financial difficulty and therefore they are still financially excluded and not able to take advantage of better products regardless of how financially capable they are. There should be much more promotion of fair credit and saving methods, making it the norm.

16. What is your view of the recommendations for action relating to the ease and accessibility of financial services? How could they be improved?

The recommendations are generally good particularly the recommendations around internet accessibility. However, also focussing on GP surgeries, clubs and associations to disseminate advice and promote available services.

17. How far do support the Strategy's aim in relation to influencing social norms?

We broadly agree with this.

18. What is your view of the recommendations for action relating to influencing social norms? How could they be improved?

We agreed that "key life events" was a good area to promote change. However, as there is a strong link between advertising and spending there needs to greater regulation stopping focussed marketing to vulnerable groups. The idea of finding a "champion" to encourage younger groups to look at financial capability was also discussed, possibly through social media.

19. How far do you support the Strategy's aim relating to evidence and evaluation?

We agree with the Strategy's aims here.

20. What is your view of the recommendations for action relating to evidence and evaluation? How could they be improved?

We would like to see the acknowledgment of regional differences and national/local priorities. In addition it should complement existing evaluation but importantly, that it is not administratively onerous on already over stretched services.

21. How would your organisation like to be involved in further development of the Strategy?

We would like to be involved in the further consultation of localised action plans. We are a national organisation and are already involved with Financial Capability groups in both Northern Ireland and Scotland. We have access to over 1.5 million Civil Servants, many of whom are working within the 2 lowest pay grades and who are struggling with day to day finances.

22. What role do you see your organisation playing in the implementation of the Strategy?

As above.

