

Financial Capability Strategy for the UK
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RESPONSE SENT VIA EMAIL
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Re British Bankers' Association response to The Draft Strategy for Financial Capability for the UK

The British Bankers' Association (BBA) welcomes the opportunity to respond to this important consultation on the new *Financial Capability Strategy* for the UK.

The BBA welcomes the publication of the *Financial Capability Strategy for the UK – the Draft Strategy* (the Strategy) and annexes some overarching observations, which together with answers to the specific consultation questions comprise the BBA's response to the consultation.

As major funders of the Money Advice Service (MAS), the BBA's member banks have a keen interest in ensuring the credibility and implementation of the Strategy, given its key importance to ensuring the enhanced effectiveness of the Money Advice Service and in coordination with its other core activities around generic/money advice and debt advice.

The BBA understands that MAS will wish to continue to engage in dialogue on the design of this strategy and remains keen to be an active participant in this discussion and to engage with MAS and other delivery agencies and partner organisations in ensuring a joined-up approach.

Meanwhile, we will be happy to discuss and expand upon any aspect of our submission. So, please do not hesitate to contact me in the meantime if you have any further questions.

Yours sincerely,



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Annex

General Comments

The BBA is supportive of and pleased to see included in *the Strategy*, the following:

- The over-arching broad proposed *groupings and bespoke Financial Capability Strategies*, albeit that we think there are other population cohorts requiring special attention.
- *Education/literacy*: it is good to see this financial capability now on the national curriculum in secondary schools. The BBA has lobbied hard for this and long supported its inclusion, as well as helping to help shape its design. However, it will be a slow gestation before we see the fruition of this investment in education, and will, of course, still need to be supplemented by a wide range of other measures.
- BBA members also have a number of different individual programmes in financial education and capability across different cohorts of the population.
- Working with partner/delivery agencies: The BBA affirms the need for MAS to work collegiately with other relevant agencies to ensure a joined up effective strategy and greater impact. We support the forward rolling out of the strategy over 5 years with partner organisations. Whilst this has improved in recent years, there is further scope for MAS to facilitate closer engagement and deliver more effective join up service delivery with other service partners.

The BBA is of the view that there are still key areas *the Strategy* needs to address, including:

- *Wider population and age cohorts*, including younger adult groups, particularly the over 25s addressing the low current levels of adult financial literacy, the need to supplement/remind the learnings at various junctures in adult life; and tailored financial capability tools/attributes for each cohort. Impact analysis; understanding of consumer psychology and behaviours shows that the strategies need to be about more than provision of information but make consumers do something. The strategies could tighten the measures here.
- *Difficult economic and social environment*, that make enhancing financial capability across the UK an imperative, but equally make it a challenge and may have set progress back/led to an immediate worsening of terms, continual concerns about economic indicators and trends, especially: the effect of the anticipated rise in interest rates, uncertainty in the job market, reduced incomes and limited pay increases and changes to the benefits system.
- *Customers in vulnerable circumstances*, which the economic environment has exacerbated. the context of wider vulnerability for a broad range of cohorts with the enhanced regulatory focus and spotlight from the FCA; the need for the Fin Cap strategy to encompass life events/milestones that heighten the need for specific financial capabilities at particular junctures and potentially create vulnerability.
- *Universal Credit Programme*: the recent announcement of an accelerated timeline for the implementation of the programme creates even more of an urgent need to increase levels of financial capability amongst the £12mn adults in the UK population affected, many of whom are struggling with high levels of indebtedness.
- *Advisory gap for much of the UK population* – appraisal/needs/delivery/access challenges around a broader base of financial imperatives requiring product solutions e.g. savings, retirement options.

- *Financial Capability Programmes, Metrics Evaluation and Accountability:* We believe there is still more work to be done here to determine the programme governance and to build a time-series of evidential data, both qualitative and quantitative in support of the various strategies.

The BBA recognises that assessing the effectiveness of the Strategy is inherently difficult, and set against other and changing socio-economic indicators. This is why it is important to build a time series of Impact metrics, for adoption by all delivery organisations, given the absence of real life counterfactuals, plus the need to accelerate this programme.

We encourage and will assist MAS to further develop these metrics in its ongoing work in fleshing out these strategies and that it aligns to all its core statutory objectives for generic/money advice and debt advice.

- *Effective partnership with deliver agencies:*
 - We believe that the acceleration of enhancing financial capability in the UK will be enabled by further alignment of services between all delivery agencies and partners which MAS playing an important coordinating role.
 - Whilst, we accept the efficiency and reach of digital mediums to help facilitate financial capability, in terms of implementation, other mechanisms that work better through other channels to secure the nudge behaviour required for action, especially in conjunction with partnership with other delivery organisations and charities.

Specific responses to questions

Consultation question 1: What time period should the Financial Capability Strategy cover?

The Strategy is urgent. However, this isn't a quick fix. We, therefore, support the time horizon for the Strategy. However, it would be useful to incorporate clearer milestones and targets for each phase and groupings of the strategy. Measurement and transparency are an integral element to ensure success.

Consultation questions 2 & 3: What is your view of the Financial Capability Framework? How far do you agree with the objectives of the Financial Capability Strategy?

The BBA support the framing of Financial Capability. Attitudes and motivation are also important for financial capability as well as skills and knowledge and that the Strategy should impact in all these areas.

Consultation question 4: What is your view of the financially capable behaviour domains?

The BBA supports the financial capable behaviour domains (prepare for life ahead, build resilience, manage money well day-to-day, tackle problem debt), but notes that these domains do not necessarily build in a linear pattern, particularly for customers in vulnerable circumstances.

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

It is vital to measure financial wellbeing to assess whether the scope and design of the Strategy are appropriate and that the Strategy is working. It is especially important to track progress against a difficult, and for many pockets of the population, deteriorating levels of financial resilience.

Consultation question 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?

We support the focuses but would observe the generic need to enhance financial capability in the whole of the population and that e.g. vulnerability is an increasing imperative across different groups of the UK population.

Consultation questions 7 & 8: How far do you support the Strategy's aim for children and young people? What is your view of the recommendations for action relating to children and young people? How could they be improved?

It is very important to target children and young people to equip them with the skills for later life, plus to develop approaches to building financial capability which are anchored in evidence about how young people retain their knowledge best – namely through putting it into practice, through age-appropriate responsibility e.g. through savings banks in schools, for financial services to provide more opportunities for young people To manage banking products with elements of adult money management, such as online access, in a safe environment

The BBA was strongly in favour of including Financial Capability/ Education in the National Curriculum for Key Stage 3 and 4 in schools in the UK. However, we question whether there has been adequate provision made, and whether the strategy has been given enough priority and appropriate integration and traction within the national curriculum, plus whether the limited measurements will be able to track effectiveness.

Moreover, but it is equally important to provide other opportunities for financial education for different age cohorts and via other mechanisms, such as work place advice. BBA members also have a number of different individual programmes in financial education and capability that target different population cohorts.

The MAS study *It's time to talk: Young People and Money Regrets* has provided interesting evidence of the value of targeting a slightly older group of young adults to impart useful and recent life experiences to a younger cohort (16-21 year olds in this research), though arguably this older group of young people are also in need of ongoing advice and financial capability tools themselves. Also, it would be helpful to repeat the research and to revisit the sample research group to appraise the effectiveness of the approach used in this workshop.

Consultation questions 9 & 10: How far do you support the Strategy's aim in respect of preparing for later life? What is your view of the recommendations for action relating to preparing for later life? How could they be improved?

The BBA supports the Strategy's aims in respect of preparing for later life including retirement provision.

Consultation questions 11 & 12: How far do you support the Strategy's aims for older people? What is your view of the recommendations for action relating to older people? How could they be improved?

The BBA supports the Strategy's aims in respect of older people. It is important that the financial services industry, together with MAS and older people charities, do more to help older people manage their day to day finances more effectively, through ensuring that appropriate budgeting tools and support are accessible for older people, particularly targeted and improve signposting and referral and ensure availability through a range of channels, other than digital.

The BBA supports the provision of financial products that are clear and easy to understand for this group, and in helping older people understand the benefits of updating financial products and making it easier to switch to new products. In addition, financial services and creditors should work in partnership with the debt advice sector to increase the early take-up of debt advice by over-indebted retirees.

Consultation Questions 13 & 14: How far do you support the Strategy's aims for people with financial difficulties? What is your view of the recommendations for action relating to people with financial difficulties? How could they be improved?

The BBA supports the Strategy's aims in respect of helping people in financial difficulty for which there is an increasing and pressing need. The Strategy should seek to take forward in partnership with the financial services industry to identify signs of risk from income shocks, life events, missed bills and escalating credit card debt to develop a better and more effective early warning system, work with creditors to develop best practice for offering 'breathing space' and to encourage take up, explore options to encourage low earners to build resilience through saving and new formal debt solutions to enable people to resolve their debt situations, sustainably.

Consultation questions 15 & 16: How far do you support the Strategy's aims in relation to the ease and accessibility of products and services? What is your view of the recommendations for action relating to the ease and accessibility of financial services? How could they be improved?

The BBA supports the Strategy's aims in relation to the ease and accessibility of products and services, where our members are doing much to improve information access and remedies for all customers including those in vulnerable circumstances. This remains an imperative issue in service improvement for such customers.

Consultation questions 17 & 18: How far do you support the Strategy's aims in relation to influencing social norms? What is your view of the recommendations for action relating to influencing social norms? How could they be improved?

The BBA's supports the innovative and fresh ideas MAS is bringing to challenging and influencing social norms, as adopted e.g. in the recent *It's time to talk: young people and money regrets study*. We agree there is a need for further cross-sectoral work and research and analysis of the behaviours of different consumer groupings.

Consultation questions 19 & 20: How far do you support the Strategy's aims relating to evidence and evaluation? What is your view of the recommendations for action relating to evidence and evaluation? How could they be improved?

We support MAS to assist financial capability practitioners and funds better evaluate and understand the impact of their programmes. Currently there is a lack of appropriate or consistent guidance so we support MAS development of a standardised outcomes framework and common evaluation toolkit for wider adoption. This will enable comparison of interventions based on evidence of what works. commit to using evidence on what works to drive funding and delivery decisions and to use high-level impact evaluation and evidence principles that are embedded in the approach to implementation.

Consultation questions 21 & 22: How would your organisation like to be involved in further development of the Strategy? What role do you see your organisation playing in the implementation of the Strategy?

The BBA remains committed to assisting the successful implementation of the Strategy among its members and to engage on their behalf with forward engagement with partnership organisations and charities involved, to facilitate joined up and effective national strategy and service delivery to enhance the financial capability of the UK population.

ENDS