Toynbee Hall Consultation Response on MAS' Financial Capability Strategy for the UK

October 2014

Overview

About Us

Toynbee Hall is a community organisation that pioneers ways to reduce poverty and disadvantage. Based in the East End of London, we give some of the country's most deprived communities a voice, providing access to free advice and support services and working with them to tackle social injustice. We have been a catalyst for social reform in the UK for 130 years, and continue to bring together communities, organisations and policy makers to create new ways to help those who find themselves in poverty today.

We have been thought and practice leaders in the field of financial capability and financial inclusion since the late 1990s; we design and deliver financial capability and financial inclusion programmes for our local communities, and share our expertise with organisations from all sectors, including government, the financial services sector and providers of other essential services such as housing and utilities. We run Transact, the national forum for financial inclusion, as well as the Central London Financial Capability Forum on behalf of Citizens Advice.

This response draws on our expertise from our own practice and policy work, and includes comments from members of the Central London Financial Capability Forum.

Our Comments on the proposed Financial Capability Strategy

We welcome this draft Strategy and are particularly impressed with the high level of consultation prior to this draft being published. We view the Strategy, and MAS' approach to developing it, as indicative of a new holistic and comprehensive understanding of financial well-being and the factors which create or undermine it for individuals, their families and their communities. We see room for expanding the scope of the Strategy to ensure the greatest possible impact on reducing poverty and financial difficulty across the age range of the UK, and for creating a behavioural shift – amongst people and organisations – which leads to a significantly better off nation. We are excited at the opportunities to participate in and to support the development and implementation of the Strategy.

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

Our own work leading the Financially Inclusive Tower Hamlets systemic change programme shows that the right kind of interventions can significantly improve an individual's financial capability over a period of just a few months, but that raising the financial capability level for a critical mass within a community takes many years. Crucially, improving the UK's financial capability to a level at which it makes a significant impact on poverty and overall well-being will require reaching both a significant proportion of today's adults and the adults of the future. Embedding financial capability training effectively into the school curriculum will take several years, and reaching the current generation of adults at different stages of life poses a significant challenge in terms of resources and reach. Thus if this financial capability strategy is to have the desired impact, we judge that it needs to be framed and assessed in three 5-year stages; 5, 10 and 15 years.

Years 1-5: During this period we would suggest the strategy focus on creating the foundations for the continual development of effective resources and evaluation, an appropriately coordinated funding framework, continued deep gap analysis, and effective coordination and collaboration across the sector to begin the work of reaching those most in need, as well as embedding financial capability within the national curriculum. A key element will be to engage the wider service sector which affects people's financial well-being, including local and national government, financial services and utilities providers, and providers of housing, health, education, advice and employability services. Effectively engaging the wider organisational environment to support the strategy, including through improving service delivery impact on customer financial health, will significantly increase the potential impact of the strategy. All working age benefit recipients will likely move to Universal Credit during this time period, so the strategy will need to be closely aligned to DWP's Universal Credit programme schedule.

Years 6-10: During this period we suggest the strategy should focus on refining approaches based on the evaluation from years 1-5 of what works. Funding should become even more coordinated, ensuring commissioning streams add value through rigorous evaluation and targeting evidence-led gaps, and avoiding the current “beauty pageant” approach of seeking out novelty rather than impact. By this stage all school leavers should have received financial capability training which empowers them to manage their personal and household finances confidently. Frontline support services should have financial wellbeing assessments embedded, and staff should be equipped with the skills to provide support and signposting effectively.

Years 11-15: During this period we would expect the strategy to be reaping significant benefits in outcomes for all groups within society, demonstrated through indicators such as levels of personal debt, financial well-being in later life and poverty and equality levels. This period will be crucial for normalising strong financial capability as a national characteristic and ensuring that no hard-to-reach groups have been left behind.

Question 2: What is your view of the Financial Capability Framework?

We agree that there are both internal and external factors which affect financial capability. In particular we agree that attitudes and motivation are at least as important as skills and knowledge in determining whether people actively and routinely use their financial capability skills. The Toynbee Hall framework for financial well-being goes further, recognising that an individual can only make the best of the environment within which they find themselves; we therefore view financial capability as one of two essential pillars for well-being, but see an enabling external environment as the second crucial pillar required for holistic financial well-being.

Thus, whilst we think the proposed Framework makes a good start in addressing the relationship between the individual and the environment, we do not think it yet goes far enough in tackling the system and the environment. The Strategy makes a connection which appears to be more about the individual's interaction with products and services, whilst the positive and negative influences and means and pressures remain quite vague. In our view, the balance is at least 50-50 in terms of the extent to which the effectiveness of financial capability is about the individual and how much it is about the environment in which that individual operates.

Contained within the Strategy's explanation of financial capability are general basic skills such as literacy, problem solving and communication and general attitudes and motivations such as self confidence, perseverance and self control. We are wary of including these factors within 'financial capability' itself. We see these as sitting outside financial capability, although they do have a strong influence on it. We would like to see a separate section for 'personal capability/capacity'. We suggest splitting this out for two key reasons:

1) Firstly, for monitoring and evaluation purposes, it is useful to have a definition of financial capability that financial capability interventions should be specifically addressing. We do not believe that financial capability programmes would tackle any of these areas in isolation (i.e. general literacy), although they may have a positive effect on them.
2) Following on from this, these areas are exceptionally difficult and slow to change and the financial capability sector as it exists today may not be the most appropriate to work on these factors with individuals. It is also important for monitoring and evaluation for all results to be understood in a context – the factors listed above will influence the overall effectiveness of financial capability programmes.
3) Basic Skills: We propose a more detailed framework for basic skills as set out in the examples below:

Individual	Environment
Applied numeracy	Statements and bills should be formatted simply and communicated in a way that is easy to understand. Organisations should have a way of identifying those customers who are unable to read bills/statements and should have these communicated in a different way
Literacy	Any information published by an organisation should be written to cater for audiences who may have low levels of literacy. Contracts and terms of service should come in plain English.

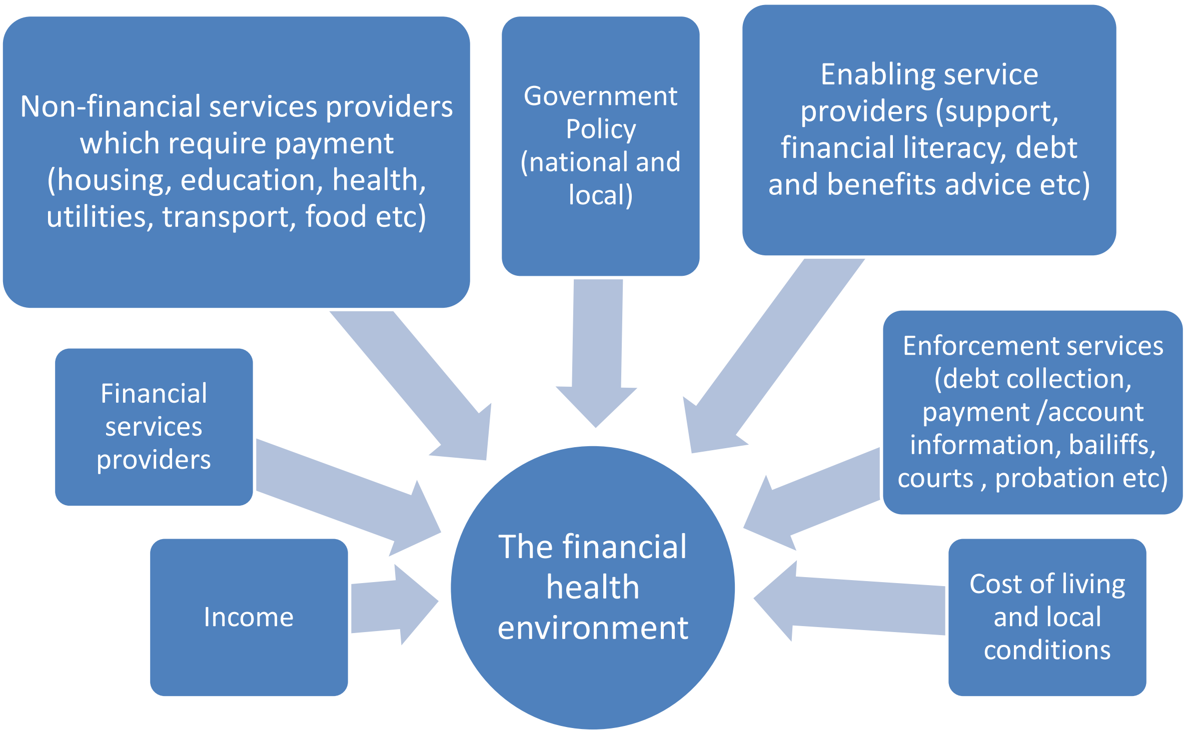
Question 3: How far do you agree with the objectives of the Financial Capability Strategy?

We agree with the objectives for the individual. However, as outline above, we do not think that the objectives for the system go far enough in recognising the impact of the wider service provider system on the individual's financial health.

The system is not just financial products and services and advice and support that affect people's financial capability – it is also utilities suppliers, landlords, local authorities, government departments and more. It is important in this strategy to name these organisations that impact strongly on an individual's ability to develop and exercise financial capability. We believe that the strategy should acknowledge and develop this wider environment. The levels of change required for the UK's financial capability will not occur without these large organisations fundamentally changing the way that they interact with individuals around their money.

We therefore suggest that a similar framework is produced for the environment that will reflect the individual financial capability framework and that the two interact to capture an overall picture of the relationship between the individual and the environment. We include our representation of the financial health environment framework in Fig.1 below:

Fig. 1: The financial health environment



The model for financial wellbeing demonstrated as a staircase suggests that, by improving financial capability, an individual should be able to move up the steps and eventually reach the top and reach an optimum state of well-being. In reality, an individual is more likely to move up and down the steps throughout their life as their circumstances and the environment changes. Reasons why someone may fall from a state of security to not being able to keep up may not be caused by their levels of capability but rather by circumstances out of their control. Nor is it necessarily the case that someone on the top three steps have better financial capability than those on the lower two steps; increasingly the cause of problem debt is rising living costs compared to real incomes. We would therefore like to see the staircase adapted to emphasise that it is not only financial capability which can move someone from one step to another, nor that the step is a reliable indicator of financial capability.

We would also like to see more distinction between the making ends meet and the constantly struggling points on the staircase – both seemed to be defined by only just keeping up and their susceptibility to financial shocks.

In addition 'means and pressures' also affect financial capability itself rather than just financially capable behaviours. For example, being on a very low income has been shown to affect people's mindset and motivation around aspirations and goals and attitudes to the future.

We are also concerned that strategies from different departments do not align with each other and that this makes the policy environment inconsistent. For example, MAS's framework for financial well-being aims for individuals to achieve a state in which they are secure – i.e. financially resilient in both the short and long term. However DWP policies around levels of savings and benefit entitlements create an environment where many of the most vulnerable households will be required to deplete their savings before being eligible to receive benefits, making them less resilient. Thus an effective and successful strategy will require a carefully coordinated government approach.

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

When applied to households on middle and higher incomes which enable saving, the behaviour domains are relevant and fairly comprehensive. However they also need to take account of people living in poverty; for example, for many of Toynbee Hall's clients 'saving for retirement' is unfeasible. However, thinking about/researching retirement benefits and knowing when this will start and what they will receive should constitute sound preparation for life ahead; many of our clients will be significantly better off when they retire.

Our research into the impact of the Poverty Premium on Tower Hamlets residents living on low incomes[i] clearly showed that drawing on social networks, such as family and friends, to borrow money, to make use of other people's financial products, and to gather information, was in itself a significant contributing factor to reducing the impact of the poverty premium on low-income individuals and their households. We would therefore propose that this behaviour – sharing financial issues with trusted family and friends – be included within the behaviour domains.

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

In our view, whilst it would be very interesting to measure financial wellbeing as a part of the ongoing impact of the strategy, we judge that it would be essential to recognise that there would be strong environmental determinants affecting where people are on the ladder. Environmental factors, such as the economic climate, government policy etc., may have a significant impact on people's overall financial wellbeing. It may be that keeping individuals at a point on the well-being staircase given their environment would be a significant financial capability achievement. For these reasons we would welcome measurement of financial well-being, provided it is seen as more complex than as a direct indicator of financial capability.

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?

In line with our wider interpretation of the importance of the environment on financial well-being, we would suggest changing 'ease and accessibility of financial products and services to 'shape the environment to one that promotes developing and exercising financial capability'. We suggest that there should be a full chapter on this in the strategy to cover this area of work, the same way there are separate sections for 'children and young people', 'preparing for later life' etc.

These priorities can be interpreted as being framed around reducing the burden to the state, with a heavy pensions-led agenda. Whilst this is understandable, the strategy also needs to recognise that it must enable people to live well now, not just when they are past working age; financial well-being is a key element in tackling the UK's low social mobility. Whilst the strategy does address young people, it does not appear to address the need to reach the parents of young children living in poverty. This is a crucial area to include if the strategy is to contribute towards tackling child poverty.

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

We fully support this aim. We particularly like the wording "that their means allow", which recognises the limits of the impact which financial capability alone can have on poverty.

We would like to see the aim linked to improving the financial well-being of the family wherever possible, not just the young person.

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

The recommendations should recognise that confidence plays a pivotal role in a parent/carer's ability to teach their children about money. We know from our own Community Money Mentors programme that there has been a need for adult learners to improve their own financial capability, and that this has a significant impact on the financial understanding of their children.

We suggest that a key criterion for success in this area is that work should focus on practical solutions. For example: 'Work with financial education providers to design and promote practical opportunities for parents and children to build on financial education in schools and learn more about money at home'.

The Strategy needs to consider the different ways in which financial education can be added to the curriculum to ensure equality of outcomes for children. For example, integrating financial capability within maths would have a different impact to ensuring financial education is a stand-alone unit of learning.

Within the school environment, financial education is at risk of being sidelined due to limited resources unless it is included in Ofsted assessment criteria.

We urge MAS to ensure that children and young people's opinions and experience are directly incorporated into this work. Too often commissioners underestimate how much children and young people understand and are willing to contribute. A user-led approach to design and content would greatly enhance the impact of financial capability programmes for young people.

We also believe that the Strategy should focus on the most hard-to-reach children and young people; it is these young people who will be most likely to have to manage without effective social network support.

We would also suggest that the Strategy makes more direct reference to the importance of informal groups and environments outside of school. For NEETs and other hard-to-reach groups, these informal networks are a highly effective way to reengage those most at risk of financial hardship.

It is essential that the structure of programmes targeted at children and young people should allow time to focus on the establishment of relationships to gain trust and build rapport. Too many financial capability programmes aimed at children and young people are about short, high figure sessions. Whilst these can increase knowledge superficially, they are unlikely to have a significant impact on long-term financial health.

Our extensive experience teaching financial education to young people shows us that they tend not to think about an issue until triggered to do so – i.e. they generally think in the moment, so schools might not be the best environment to support young people. We would suggest that the Strategy focus on how to create an opportunity to support those with relationships with young people to help them when they are in those moments. We would like to see the Strategy support those who are existing role models and respected by young people.

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

We fully support the Strategy's aim. However we would like the Strategy to acknowledge that for those on the lowest incomes, it will not be possible to save for later life. And for some, even good planning may not be able to help them make ends meet if there are significant financial or life shocks post-retirement.

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

We would also like the Strategy to include outcomes around:

- Making a will
- Building a sound understanding of pension schemes
- Funeral planning
- Increasing digital inclusion
- Understanding retirement benefit entitlements

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

Our research for the Payments Council on the payments needs of the 'older old' [ii]clearly showed that there a group of individuals (those with physical and/or cognitive impairments aged 80 and above) who have very different needs; for this group, the issues are centred around physical access and understanding and the reliance on others this requires which leaves them open to financial abuse. We would like to see more recognition given to these issues within the Strategy.

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

We believe that the focus should be to support people who are already pensioners and unable to provide for themselves now. 1.8 million[iii] or 1 in 6 pensioners live in poverty, and another 1.2 million are at risk of poverty, and the Strategy provides a significant opportunity to reduce these figures.

We would also like the Strategy to recognise other options for investment for pensioners – e.g. buy-to-let.

A key area for financial capability support is about knowing what is available to older people (such as a free bus pass), and information about the financial implications of care choices, such as going into a home.

The Strategy needs to be clearly linked to the Care Act 2014.

Our experience suggests that, for the majority of older people, the most effective form of assessment with a financial advisor or guide is face-to-face; we strongly suggest that the Strategy recognise the high level of resource required to reach this age group.

We also recommend that the Strategy should place a greater emphasis on local level support organisations. Many older people may be engaged with service provision at the local level, and this is a highly effective way to engage older clients.

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

We view financial difficulties as being wider than just having problem debt; many households struggle constantly to make ends meet but avoid debt on principle and go without essentials on a regular basis. We would therefore like the Strategy's aim to be broader, incorporating the ability to make ends meet as well as to avoid or tackle problem debt.

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

We welcome the holistic approach to tackling financial difficulties, as it sits well with our understanding of the impact of the financial health environment on financial well-being. We would include more sectors, e.g. utilities, which have a significant impact on people's financial health.

A key barrier to helping people get help sooner is around data-sharing. We therefore propose that the sector needs to develop a trusted partner status to encourage more and easier data-sharing, which can increase accurate and timely referrals between trusted partners. Improving data protection laws would give crisis agencies the option of sharing or referring individuals earlier and identify the 'missing' referrals, but ensure initial contact is made by the right person. We need to apply the MINDSPACE principle of 'the right messenger' to working with people in financial difficulty – i.e. contact with someone in difficulty should be made by someone who is impartial, has good people skills and communication skills, and someone who takes a customer service approach. Getting people in financial difficulty to engage with money advice services, especially within housing services and Local Authorities, is difficult because tenants and residents often do not have good relationships with the organisation's income officers. Therefore we would like to see more funding for support services whose job is to help identify and work with people in financial difficulty/debt who can work independently from income officers.

It is essential to create the widest possible network approach, including all agencies which can affect the financial health environment and reach intended beneficiaries. MAS should seek to take a broader view on partnership working – such as building relationships with charities supporting vulnerable families, GP surgeries, food banks, drug and alcohol support groups, mental health agencies, homelessness charities, schools, etc. to ensure agencies are able to reach as many people as possible who are struggling and in debt.

There has been a shift towards private tenants experiencing high levels of financial hardship; MAS should ensure that all their work includes private landlords and their tenants.

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

As already outlined, we believe that it is not only financial products and services which need to be addressed, but the wider service provider environment. We would therefore like to see extended to include other service providers (e.g. utilities, landlords, transport, health, education etc) or a separate section which encompasses these providers. The current recommendations can be interpreted as assuming detriment arises from poor decision. In fact, much detriment arises even when the consumer has made the best choice available; it is simply that the range of choices is poor and will always lead to detriment.

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

See above. In particular the Strategy needs to recognise that people often make rational choices and still experience detriment due to the lack of good options, and that it is a much wider range of services which have an impact on financial health, not just financial products.

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

We agree that we often see people who are in financial difficulty because they have been tempted by the ubiquity and ease of access to credit. It is important to tackle the advertising spend.

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

We suggest going further than just testing interventions and developing money management messages. Any messages in recommendation 21 would need significant funding in order to influence the general population and would need to be tailored to the various audiences. We would suggest putting this money into research into what environmental messages cause people to overspend or take out expensive and inappropriate financial products and then use the research to tackle these messages at the source, regulating the advertising industry more appropriately. This would be a much more effective way of using limited resources, having a wider overall impact on financial capability and in turn affecting social norms.

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

Overall we fully support this aim.

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

We believe that overall, this is an excellent direction to be driving the sector in.

In particular, the evidence and evaluation hub will tackle the issues around replication across the sector. This will however be particularly difficult to achieve without first tackling issues to do with competition and ownership in the sector. For many organisations, publishing results, particularly negative results for experimental projects, will be particularly sensitive in the current funding environment. We suggest setting up some way of achieving anonymity in this process. We also suggest that some organisations will not want to share success stories for fear of losing their intellectual property over what has worked and what has not. These issues will also need to be tackled.

Our experience shows that a significant information piece will need to be done to get many organisations to a stage where they are able to actively engage with the Strategy, even before the 'training and support' stage of the capacity building exercise. Many organisations see evaluation as a tick-box exercise that is about a funder's requirements or getting more money rather than being actively engaged in the learning process.

Our experience also shows that organisations feel strong pressures on time and resources to conduct evaluations. We suggest that MAS should play a role in making sure that funders acknowledge this and make adequate provision for it in funding recommendations.

We would argue that including basic qualitative approaches in the common evaluation toolkit would be very useful for some organisations to be able to provide context to their qualitative results. One of the benefits of a common toolkit will be to understand which programmes are working well with which client groups. This we can understand quantitatively but the qualitative research that sits alongside it will give us the 'why', which will be essential in replicating and developing these successes. Our experience is that many organisations are comfortable with the 'case study' model of highlighting successes, but are not comfortable with interviewing or focus group techniques which would give organisations much more insight into how to develop their programmes.

We think that Figure 2 in the Evidence and Evaluation document will be excellent in communicating with organisations around what they are currently looking at and what it is important to look at.

We would also like to see this aim lead to the establishment of a set of quality standards for financial capability training, including for trainers.

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

We are keen to help MAS develop more detail on the "wider environment". We see the Strategy as a unique opportunity to influence the organisational culture of the UK, so that providers from all sectors begin to take the financial health impact of their products and services seriously.

We would like to collaborate with MAS on the evaluation aim, sharing our experience of the development of the MAP Tool with you to complement the development of the common evaluation framework. We would also like to explore how the MAP Tool could support the overall long-term objectives of the Strategy.

We would also like to work with MAS to develop greater insight around helping people in financial difficulties, drawing on our extensive expertise in providing face-to-face advice across London through the Capitalise partnership and through our wider advice services.

Finally, we would welcome the chance to offer our local communities the opportunity to contribute to the Strategy design and implementation. We have built a strong network of Community Money Mentors (currently 290 OCN Entry Level 3 qualified graduates across Tower Hamlets), all of whom are able to think critically about money and financial decisions. This group, mostly from very low income households, are an invaluable critical body who test our ideas and resources and provide insightful feedback. We would be delighted to draw on their support for ensuring the Strategy is as effective reaching these groups as possible.

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

As outlined above, we see various roles we might play including:

- Through the MAP Tool, contributing to the implementation of robust evaluation of financial capability interventions
- Designing and developing effective resources and courses for all priority groups
- Working with MAS and using our excellent relationships with the financial services sector, helping facilitate better coordination amongst funders for financial capability training
- Helping shape the environment through providing our Financial Inclusion Heath Check for Organisations (FIHCO) service, which analyses and assesses the impact an organisation’s policies and procedures have on the financial health of its customers and provides an action plan for change
- Potentially developing a kite mark for organisations making significant improvements to their financial health impact
- Influencing financial services providers to improve their practices
- Integrating learning into our financial education and inclusion services across the country, and into our F2F advice services across London
- Sharing our learning with the sector through Transact
- Potentially developing a set of standards for financial education services and trainers

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[i] Hertzberg, D. Stanford, M. and Williams, S., (2014), Toynbee Hall: *The Poverty Premium in Tower Hamlets,* http://www.toynbeehall.org.uk/data/files/Reports/The_Poverty_Premium_Report.pdf. Last accessed 24/10/2014

[ii] Toynbee Hall and Policis (2012): *Consumer research with "Older Old " consumers and those living with cognitive, physical and sensory disabilities* http://www.paymentscouncil.org.uk/files/payments_council/payments_council_-_policis_and_toynbee_hall_older_old_and_disability_report_summary_24.1.12_final.pdf Last accessed 24/10/2014

[iii] Age UK: *Living on a Low Income in Later Life* (2011) http://www.ageuk.org.uk/money-matters/income-and-tax/living-on-a-low-income-in-later-life/ Last accessed 24/10/2014