Financial Capability Strategy for the UK - Draft

Citizens Advice response

Introduction

Overall, Citizens Advice welcomes the vision of a single financial capability strategy for the UK. With financial capability becoming increasingly prominent on the agenda for every sector, a unified direction for the future is important for tackling the day-to-day problems the majority of people in the UK face.

The draft strategy's overall structure and framework is clear and easy to grasp. However, we have a concern that the entire strategy is broad and non-specific, making it hard to understand in any clear practical terms. High-level intentions are helpful, but it is difficult to interpret how these will actually relate to practical change.

The strategy also requires a more detailed explanation of several key components that are either unclear or seem unrealistic. Alongside this, action plans and breakdowns of the scale and feasibility of many of these 'aspirational' goals need to be considered in depth.

It is also our view that the strategy requires several changes to accurately reflect the situation in which the majority of people in the UK find themselves. Some of these changes would also need to be at the fundamental level of the framework design and the models used to inform the subsequent key strands.

Summary of key points

- The strategy needs to be able to evolve within its lifespan. This both allows it to accommodate for external changes, and also to take advantage of findings and research that comes to light during its own application
- The financial well-being staircase contains several key areas of concern that should be reconsidered before any widespread use
- The frameworks ignore issues regarding clients 'means' as being out of scope, although practitioners find that this is often key for clients in hardship who have otherwise good financial capability
- The strategy does not consider a key large demographic - working-age people who are not explicitly over-indebted but still have money concerns whilst struggling to develop any kind of financial resilience – who would benefit from financial capability but do not yet qualify for any of the priority for action areas
- The strategy should consider splitting the priority of children and young people into two discrete areas
- The strategy needs to consider helping those with mental health difficulties more explicitly
- The strategy's goals in relation to combating social norms are very ambitious, and need to be reconsidered in terms of practical scope, given the funding available and the scale of the aim
- The strategy has issues in how it articulates cross-cutting themes in its design, leading to structural inefficiencies that cause both needless overlaps and gaps

Response to review questions

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

The last Financial Capability strategy was in 2006, and covered a five-year period up to 2011. The fact that another strategy is still in the stages of being finalised highlights the first shortcoming of a five-year time-frame: it is too short to allow time for planning ahead and dovetailing into the next prospective strategy. Any intervening period without the clear direction a strategy can give may not be actively harmful, but definitely does represent a missed opportunity.

Several points of this strategy also require large, fundamental changes to the UK landscape, both financially and socially. For example, the objective of influencing social norms is possibly the most ambitious of them all, yet has the least substance behind it in the draft strategy itself. It's not practical to think that this will be developed into key action points, delivered, executed, measured and then used to inform a new strategy, all within a five-year time-frame.

A ten-year time-frame seems more practical therefore. However, it brings its own risks. A 10-year strategy that had been established in 2004 would have proven to be outdated very quickly by both technological advancements such as the huge increase in people's online profile, and also by unpredictable global events such as the 2008 recession.

Any time-frame for this strategy therefore has to keep two things as its key concern. Firstly, it needs to be reactive to changes that occur in the UK within that time-frame, by having an ongoing and integrated feedback process into the strategy allowing it to evolve. Secondly, it needs to accept the need for development of any subsequent strategy to start taking place *before* the existing strategy ends; in other words, to avoid any kind of directionless period between UK strategies. These both need to be key parts of the strategy's predicted lifespan for it to be tenable, and both would be easier to implement on an eight or ten-year time-frame. Our key recommendation would be that *any* lifespan for the strategy contain an explicit structure that allows it to be reviewed and refocused. This could perhaps involve a smaller segmentation of the strategy, perhaps in two or four year delivery plans.

Consultation question 2: *What is your view of the Financial Capability Framework?*

We acknowledge that it is extremely difficult to capture a nascent and evolving field like financial capability in a framework, especially one that's clear and of practical use. To improve the current version we would recommend that more UK-relevant data is used to inform the development of the framework. The strategy contains a lot of global data related to the G20 but none specifically related to England and Wales. It seems odd that basic demographic data – population, birth-rates, proportionate age of the population – hasn't been used to inform the needs of a strategy that is envisaged to last for potentially ten years.

We recognise and commend that a lot of time and research has been spent developing a Framework that tries to capture all the key facets. Similarly, the two supporting frameworks (those for adults, and children and young people) have clearly been considered in great detail. The decision to split the demographic of clients along this line seems sensible, and we agree with the decision not to split the framework into further variations (people with financial difficulties, people approaching retirement, etc).

There are some key decisions in the structure of the frameworks that cause us some concern, detailed below.

Firstly, and focusing in on the subsidiary frameworks, ‘means’ has been identified as an external factor in the same vein of ‘pressures’ for adults and ‘responsibilities’ for children and young people. As such, although linked closely to both financial well-being and financially capable behaviours, it is one element that the strategy views as being outside its remit.

Superficially this does seem to make sense; the final sentence on page 14 states clearly that people can ‘improve their wellbeing as much as their means and pressures allow’. This makes an attempt to accommodate for the criticism that the financial wellbeing staircase does not take into account those clients where financial capability and financial position do not seem to match (see Question 5 below). It also acknowledges that certain *pressures* – often very personal ones and linked to the more chaotic lifestyles that many of our clients have – are simply not within the scope of this strategy to tackle.

However, there is no specific reason to view ‘means’ as that same sort of isolated factor. To put it another way, means can include the job someone has, their ability to find work or a better job, their other income streams, and their ability to maximise these income streams. In other words, means is how much money is coming in and their savings, and it seems that this has been moved outside of the scope of this financial capability strategy. However, it is possible to guide clients on gaining more skills to get better jobs e.g. CV-writing and interview techniques. If teaching clients how to purchase a suit cheaply, how to improve their employability, how to increase their income and then how to save more of it *isn't* financial capability, it's hard to understand what this category of ‘means’ is. Perhaps linked to this is the need for a clearer definition of the terms ‘reducing expenditure’ and ‘increasing income’. In either case, not addressing this is to weigh the strategy with the opinion that many people's financial hardship is caused by irresponsible financial behaviour rather than a wider lack of income. Our experience as an organisation often finds that those in hardship have an excellent grasp of finances, and that this lack of means is the key deciding factor in their financial profile.

Secondly, the four-way split of attitudes, motivation, skills and knowledge is welcome. Really breaking down the facets of internal capability is key to tackling it: ‘knowledge’ can be considered to be financial education, whereas ‘skills’ are covered by financial capability as it currently exists. Both ‘attitudes’ and ‘motivation’ occupy a combination of financial capability and behavourial economics, and it's good to see them split out like this.

We believe that the separation of these elements is only valuable if the investment in addressing them is similarly matched. The majority of ‘financial capability’ resources available to most large organisations at the moment actually fall within the category of financial education. If we do want to encourage behaviour change, then a similar level of resource is needed to be spent on capability resources, and also on resources targeted to tackle people's mindset as well. There is an argument that the framework should be structured in a proportionate way to stress visually which of these four facets should have more prominence than the others; either way, this framework is only usable if this need for support of each facet is acknowledged. All the areas need to be targeted with resources, whereas there has historically been a long-running bias to only target resources at things like education and – to a much lesser extent – capability. There has been very little done to tackle attitudes and motivations, and - although it is nice to see them acknowledged here - we also would like some recognition that more effort will actually need to be devoted to developing these.

The framework therefore functions solely as a diagnostic and categorising tool, without giving any weight or guidance to each aspect. Even as a diagnostic tool, it is also unclear how this will guide practical intervention: once positive and negative influences have been identified (for example), where is the guidance on how to maximise one and minimise the other? Without this practical aspect, it's hard to see the use of this framework.

Finally, as a more general point, a strategy with a remit as potentially wide as this one should be accessible to all people involved in the field, be they experts in the theoretical frameworks or practitioners. As such, we would welcome the use of more clear and basic English throughout the strategy: we note that the industry term 'hyperbolic discounting' has been dropped in favour of 'short-termism', but still recommend further simplicity in the basic language used.

Consultation question 3: *How far do you agree with the objectives of the Financial Capability Strategy?*

These objectives seem robust and sensible, taking a balanced view on the micro and macro scale. However, although we are confident that materials will be produced in both English and Welsh, we see little other understanding of the differences between the financial capability landscape in England and Wales. The nature of differing policies – Welsh government's tackling poverty agenda, for example – will mean that action plans suited for England will not necessarily suit Wales. Any further development of this strategy will need to take these key differences into account, accounting for both the use of devolved powers and structural differences at the level of local authorities, and therefore resulting in different action plans.

In Wales, factors to consider include actions and programmes of activity being taken forward as part of the Welsh Government's Tackling Poverty Action Plan (e.g. Communities First, Flying Start, Families First, the Supporting People Programme, Credit Union development); the Welsh Government's Advice Services Review (including the development of a National Advice Network and specific quality standards for the advice sector in Wales); the differing nature of activity to take forward or mitigate the impact of the UK Government's welfare reforms (including the Welsh Government's Discretionary Assistance Fund; Council Tax Support in Wales and additional funding for advice services to provide specialist debt, money and housing advice), and public service reform (including the possible restructure of local government in Wales following the recent Williams Commission report). All these factors require not just tailored action plans for each nation, but will also require the strategy to be reactive and able to adapt to future change.

Existing or future legislation in each nation may also have an impact on how advice services are co-ordinated and delivered. It needs to be kept in mind that there is already a legal duty placed on certain public bodies in Wales, including local authorities, to develop and produce a child poverty strategy (as a result of the Children and Families (Wales) Measure 2010); and further duties will be placed on many of the same public bodies under the forthcoming Well-being of Future Generations (Wales) Bill. The requirement to develop local well-being plans could include an element for ensuring the financial well-being of local populations through improved financial education/inclusion, yet these existing factors are not acknowledged anywhere in the strategy document.

As a consequence of this approach – as alluded to in the answer to question 2 - each national Action Plan would then need to take account of the differing demographic and geographical profiles of each nation and how such factors will affect both demand for and access to money advice services. Key things to consider would be age distributions and socio-economic profiles; language issues, in particular the need for bi-lingual resources in Wales; and the communication infrastructure, such as the dramatic variation in internet speeds/access between rural and urban areas.

With the above in mind, we believe it is also critical for the Money Advice Service to retain a strategic presence in Wales (and other home nations) to ensure effective links are made between the different policy landscapes, and awareness of the service and its work amongst key stakeholders in Wales is maintained.

On a broader note, safeguarding the vulnerable also remains an issue across both England and Wales. There are those clients who are unable to benefit from these objectives: those who either will not or cannot learn due to various factors (for example, mental health issues or a lack of digital inclusion). It is at this point that advice and – more significantly – intervention will always play a critical role. The objectives do not explicitly preclude this, but it is critical that they acknowledge this fact and the need to address it.

On a related point, the term ‘better financial skills and knowledge’ is a very subjective one in a way that ‘more’ and ‘greater’ (used elsewhere in the objectives) are not. ‘Better’ is a very relative idea: clients in a Debt Relief Order will require substantially different day-to-day skills than those clients who have finished the DRO process and are now in their ‘new normal’, for example. It may be worth considering the introduction of financial capability levels, in the same sense that the idea of reading ages has become widely accepted. For example, a twenty-year old client may have the reading age of a fifteen-year old, but the financial capability age of a ten-year old. Otherwise, without some kind of objective benchmark for this term, it will become meaningless.

In a way, these problems underline the basic concern we have of the entire strategy; it is very broad and non-specific, making it hard to understand in any clear practical terms. High-level intentions are helpful, but it is difficult to understand how these will actually relate to practical change.

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

The financially capable behaviour domains serve as a breakdown of the characteristics that financially capable people have. In other words, if someone was to suddenly develop a high level of financial capability and then have to tackle their financial situation, these are the observable behaviours they would take.

These domains are interesting and detailed, but serve more as an intellectual exercise than as one of any practical use. In real-world terms, no-one in the bottom domain of Tackling Problem Debt is going to suddenly develop good financial capability overnight.

Developing good financial capability happens in small steps, bit by bit, so that a person with problem debt slowly develops better financial habits in a steady progression. The key thing here is that even developing a few new behaviours, in a few steps, will mean that they then occupy a different 'domain' in this model. By definition, they can no longer be categorised as 'Tackling Problem Debt' once they're actually 'Managing Money Well day-to-day'. What this then means is that the domain has to reassess them, re-categorise them, and they then become a different client from the view of this model. The consequence of this is that this model has to be re-applied constantly as clients develop, re-categorising them as it goes along whilst also restarting any measurement of their distance travelled. As such, we're unsure what use these domains will have. They are not easy to grasp intuitively, and it not clear what sort of policies they could they inform.

Even if their relevancy wasn't in question, then their structure is problematic. The idea that 'tackling problem debt' is a stage on a journey is misleading; yes, this can be the case but more often than not, it isn't. Problem debt can arise to anyone in any of these behaviour domains, and would therefore knock them straight from a stage such as 'building resilience' into 'managing problem debt'. With unforeseen life events as the most common trigger for our clients, this is far more likely to be the pattern of behaviour rather than a simple linear set of stages as this model proposes.

In a more detailed point, we would recommend that the principle of learning be embedded in the 'tackling problem debt' domain. Otherwise we are not addressing those clients who are in a position to enter a cycle of debt-inducing behaviour. Many clients may have problem debt due to a shock to their personal finances or an unforeseen life event. There is potential for learning from this, and although this learning may not prevent a client from ever being in problem debt again due to a range of other shocks or life events, they may be able to go some way to avoiding experiencing a similar problem from a similar cause in the future.

The key issue is that these domains measure the behaviour of those who are financially capable. We recommend that there should at least also be measures for those who are financially incapable. For example, three out of the four domains state that people will be pro-actively seeking out advice and guidance. We know in the real world that this is simply not the case. Pro-active clients are an extraordinarily small minority, and even those that have engaged with robust financial capability programs are still relatively passive in their approach to their own finances.

An equivalent set of behaviour domains capturing behaviour of those at the various levels but entirely lacking in financial capability would be very useful alongside the current domains. If we had a gauge on the criteria that make up a lack of capability at each level, then practitioners would be better equipped to intervene or provide guidance. The existing behaviour domains have the important function of identifying a financially capable person. However, in order to measure distance travelled or to inform policy, this has to be considered as an 'end-point'. This model also needs a 'starting-point', which would be one grounded in real-world examples of our actual clients and the behaviours they manifest. Only once we can have a model including where people actually start, will the proposed model of where we want them to be have practical relevance.

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

Measuring financial wellbeing is critical to measuring the impact of the strategy. Establishing UK financial wellbeing, and measuring change, will mean broad and easily understood measures of financial wellbeing will need to be defined, and a longitudinal study initiated. This would create two significant benefits.

Firstly, this creates a benchmark of UK average wellbeing, which allows organisations to assess their beneficiaries against this average before and after interventions (at Citizens Advice using NHS measures of mental wellbeing allowed us to identify the impact of our work within context of UK average mental wellbeing).

Secondly, these measures can then be used - in their entirety or in part - by organisations delivering money advice activities and can be used to assess wellbeing in the same way.

Additionally, establishing UK financial wellbeing and measuring change will allow a wider perspective to identify overall wellbeing. Over time this will allow correlation with macro-economic factors such as recession or growth, high or low unemployment.
In the longer term this can help to identify which financial wellbeing factors are impacted given particular macro-economic situations and therefore help to ensure that money advice resources are allocated in the most effective ways during these periods.

However, despite these points and the interesting nature of the financial wellbeing staircase, we nonetheless have several detailed comments on its structure and use.

Firstly, there is no widely-accepted definition of the term well-being, at least in this context. Even specifying 'financial well-being' is rather non-specific and a clear definition would be useful. This does not need to be complex; from a practitioner perspective, it should be straightforward to come to a consensus on the key features of a 'financially well' person. Once this is decided, then this can inform the staircase. The key thing would be to deal with real-world practicalities; we do not want to see a model which works on a hypothetical ideal example that we know from experience simply does not exist.

Secondly, and much more fundamentally, this staircase needs to be provided with clear and simple criteria to understand the distinction between the different steps. Without this, not only will it be difficult to use as a diagnostic tool, but it has the scope to be misused quite widely and cause potential client detriment.

To explain this more clearly: what criteria are used to decide if someone is 'Constantly Struggling' or 'Making Ends Meet?' What about the difference between 'Resilience' or 'Secure'?

The most obvious concern is with the top tier; 'Security'. There is a significant proportion of the people who are 'Secure' who are in this position despite having little to no financial capability. Coming from a comfortable background, graduating with a vocational qualification and moving into a well-paid career, many people can be well-provided for, have no major debts, have a financial plan for the future almost by default….and yet have absolutely no financial capability. A textbook example of this would be someone who literally did not know what their monthly bills were (gas, electric, water) because it simply was not material to them.

To then consider the lowest tier of the staircase, 'Unable to Keep Up', this contains a similar proportion of the population as the 'Secure' tier. Again, many of these clients are in this position due to no fault of their own; it is not uncommon for practitioners to speak to clients who know every single penny of their monthly expenditure and use it to balance a monthly budget. This can go as far as paying alternate utility bills in arrears in a holding pattern so as to always be in danger of being cut-off (but still to be constantly avoiding it). These clients can often display excellent financial capability, but simply aren't in a position to climb up the wellbeing staircase due to a lack of means (see reply to Question 2).

So the staircase, being based on observable finances rather than capability, has some gaps. However, this can be compounded by the nature of the criteria used to categorise people into any of these five steps.

If a criterion was developed after the strategy is published, for example, 'client does not know what monthly outgoings are' then (although this would include many people at the lower steps of the staircase) it would affect people on all levels, up to and including the top one. This then, for example, could guide financial institutions to direct a client to certain financial products that they would think – in error – are more suited to them. We are concerned that the use of the staircase could well have a far-reaching impact in this way.

If this seems a disproportionate concern, consider the commonly-held notion that having 'three months of wages saved up' is a good thing. This is widely-held and often-repeated (including by national press), but is actually nothing more than a rule of thumb popularised over the last few years. That in itself isn't harmful, but certain high street lenders have started asking that question as one of their criteria in their Mortgage Market Review. The MMR process was put in place by the FCA to replace the old 'three-times-your-income' mortgage rule, and dictates what financial products a client can access. If this rule-of-thumb, based on no specific research, is now having a direct impact on people, then consider what changes to the industry a national, embedded strategy might cause.

Without clear criteria, questions such as ‘do you know all your monthly utilities exactly?’ could start forming cut-off points for lenders, leading them to offering clients one range of products rather than the other. If that is the case – and it seems a fair concern – then we have a duty to ensure that any criteria used are thoroughly researched. Perhaps three months income is an ideal criterion, but perhaps two months would serve just as well. A distinction like this could affect thousands of people.

On a related note, the strategy would be well-served by rethinking the way it frames these criteria. For example, ‘having three months income saved up’ could be viewed alternatively as ‘being able to withstand three months unemployment’ which is superficially the same question but fundamentally different the same person could answer these questions differently depending on the financial products they have in place.

Ultimately, the staircase is an interesting theoretical exercise but simply due to the nature of it, cannot be usable in a practical or informative way for informing actual work with clients that need financial capability. It’s aesthetically attractive, and easy to grasp, but it’s these same strengths that give us concern it is only useful to explain financial capability to those who aren’t already familiar with the field and only need a superficial grasp on it anyway. It comes across as a way of explaining and ‘selling’ the strategy to those who lack expertise to make any informed judgment themselves, and as a result it only provides a very shallow overview of the field. Even more importantly, it does not help us develop a model where we will be ‘doing with’ our clients rather than ‘doing to’ our clients. We would welcome the opportunity to work more closely with MAS in evolving the model into a more practical and informative version.

On a final note, although we welcome its inclusion here, we do feel that there is a marked over-emphasis on well-being as a measure for financial capability. Like all these indicators, it is essentially a proxy used to gauge financial capability, and whether we are actually having an impact on clients. Other proxy indicators could be used as well, and should not be marginalised in favour of exclusively using ‘well-being’. Compounded with the need to clearly define the term well-being, there is scope for developing a more robust set of measurement tools that could also dove-tail in with the evaluation end of the strategy.

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?*

These priorities for action seem sensible and thorough: there are several points of concern however, on both a ‘broad-stroke’ and ‘detail’ level.

We are concerned by the lack of any coherency between the priorities. There will be more detail on this in the responses to later questions but essentially the priorities do not seem to exist within a larger strategy. Rather, it seems like they were formed in isolation by entirely separate groups. There is massive scope for cross-cutting themes to be established, for there to be streamlining of their various structures to take advantage of overlaps, and for generally collaborative approaches. However, the current strategy does not accommodate for any of this.

Children and young people – We would stress that the strategy needs to recognise the vast spectrum of potential childhood experience in an age-range as wide as 0-24. This is not only in terms of age, where the experiences of a 15-year old are obviously going to be inherently different to that of a 13 or 17 year old. Even within the same age range – 15, for example – the experience of a child in an inner-city area will vary greatly from one in a very rural one.

Aside from the geographic factor, even within the same areas the range of experience that young people of the same age have will vary hugely. Especially in more urban areas, the different experiences young people have of money, means and responsibilities will vary across an entire spectrum, even within those groups where all members are the same age (the same class in the same year of the same school, for example).

As a result of the above points, we feel that this priority simply has to be split as it is far too broad, and encompasses far too many different life stages to actually be workable. We would advocate one strand to focus on the 0-15 age group, and another to focus on the 16-24 age group. Everyone involved in this strategy also needs to be very conscious that many clients between the ages of 18 and 24 can be in debt, sometimes to a very serious degree. Their experiences and their financial position as a young adult is simply not parable to that of an adolescent, and should be viewed as distinctly separate.

Preparing for Later Life/People in Financial Difficulties – Many people are in the position of being of working age, but relatively young and therefore not actively preparing for later life, whilst also not 'over-indebted' and therefore not in financial difficulty. However, they could well be in the position of being in debt or having occasional/constant mild financial concerns. This demographic is one which will actually include many people (the middle step of the wellbeing staircase, as it were) but is not explicitly catered for in these two priorities.

We understand that creating another priority specifically for 'those who are not in financial difficulty but could do with some help' may seem rather ambiguous. We also acknowledge that in targeting these existing priorities there will be some collateral fallout of behaviour change and education that will affect people other than those directly targeted. Influencing social norms in particular will have a marked effect on this group: however, we feel it is important that this demographic concern is addressed and that consideration is given to some kind of safeguarding action plans to prevent such people slipping down the well-being staircase until they do in fact meet one of the specific priorities for action. It seems like a missed opportunity if those who are not in 'financial difficulty' are neglected until they need to 'prepare for later life'.

Critically, if no other amendments are made, we would view at the very least an introduction of a strand focussed on those with low incomes (who are likely to be those most immediately affected by forthcoming welfare reform changes) needs to be introduced. At the very least, this is a group whose vulnerability needs to be acknowledged and we cannot rely on 'collateral fallout' to adequately safeguard them.

They are most at risk of falling into one of the existing strands anyway – specifically People with Financial Difficulties – and we feel that not having a special provision for them within the strategy would be remiss of the advice sector.

Ease and accessibility – We would stress (as per question 2) that care is taken to draw a distinction between education and capability. Providing ease of access to education materials is one thing, but many excellent such materials already exist in a variety of channels. Focus needs to be placed on materials that increase clients' skillset and ability, rather than just factual knowledge.

On that note, we would also stress that online resources need to be key to any strategy, but would strongly advise that the current approach is reviewed and reconsidered in a more innovative light. The current method by most organisations in this field is a fact-heavy education-only approach where the web platform is simply another way to distribute information which would otherwise have been provided as leaflets and handouts. These need to become more fluid and reflective of today's online experience.

Finally, we do not feel that the strategy has acknowledged the need for a separate strand focusing on those with mental health difficulties. The links between financial capability and mental health are many and well-documented, both as causes and effects of each other in a very complex relationship[1]. It simply does not seem realistic to assume that those clients with mental health issues will be targeted in the 'collateral fallout' resulting from progressing these other strands. The exclusion of this group is an oversight that needs to be corrected.

The last two priorities for action are ones that we view as worthwhile and necessary, although we do have more detailed concerns relating to both the insights and recommendations within them that are covered in our answers to questions 17-20.

Consultation question 7: *How far do you support the Strategy's aim for children and young people?*

As per response to Question 2, we feel it may be difficult to separate out 'means' from other elements of financial capability. For example, how else would 'maximising income' or 'reducing expenditure' be categorised if not as increasing a client's means? As such, the wording of the aim being tempered with the caveat of 'that their means allows' could be counter-productive. On the one hand, it acknowledges that not every person is in a position to have the same ideal degree of financial resilience. However, on the other hand, it also seems to back away from the option of tackling the broader issue.

Generally however, the aim is sound although it is difficult to form a specific response as that would really rely on the action plans that emerge from it. On that note, we would reiterate the point made in Question 6 about varying experiences within what

[1] For example Royal College of Psychiatrists research: http://www.rcpsych.ac.uk/workinpsychiatry/qualityimprovement/research/debtandmentalhealth.aspx

might seem to be the same demographic bracket of 'childhood'. Action plans would have to be extremely flexible to accommodate for this.

In addition, as commented on in Question 6, if this priority strand is not separated out to take different demographics into account, how is it going to cater for existing debts? Many young people have sizeable debts by the time they are 24, and this will need to be addressed.

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

The recommendations for action here are thorough and clearly presented. **We have also considered the more detailed supporting information on this priority action, available on the website.**

The first – and most critical - thing is to stress the absolutely crucial value of recommendation 4. Identifying ways to help young people feel proud to be good with money is an area that needs to be given priority, as it underpins the other four recommendations, yet is the least detailed.

On that note, we feel that further thought needs to be devoted to highlighting and increasing the prominence of financial capability in schools. For many young people, this is the most formative regular environment they are in and advantage needs to be taken of that.

As a separate point, Priority 3 recommends (in the expanded information, not the summary draft) that parents provide children with regular pocket money with clear responsibilities. This is a laudable goal, and it is clear that it is not meant to be seen as prescriptive, rather as just a piece of guidance. However, we feel that there definitely needs to be much more consideration given to this particular point. Many clients live in chaotic lifestyles that do not allow for providing regularly pocket money; bringing it up as an issue could inflame a sensitive family situation. Similarly, there can be a range of social and cultural issues already in place that act as barriers for this recommendation. Although not insurmountable, they do need to be considered by the strategy and then by practitioners. Thought should be given to a less sensitive alternative that may perform the same function.

Consultation question 9: *How far do you support the Strategy's aim in respect of preparing for later life?*

The phrasing of this aim seems open to different interpretations and so we feel it could benefit from a more precise use of language. The goal that 'everyone reaching retirement is at least able to make ends meet' is a good starting point, but does this mean that they will be making ends meet at the point they retire (in other words they will be on the middle step of the financial wellbeing staircase). Alternatively, does it mean that the aim is for people retiring to be able to make ends meet in perpetuity throughout their retirement?

The second part of the aim, that 'more reach higher levels of financial resilience and security' is good to see, and we feel that this could go a long way to address the concerns we raised in the answer to question 6. We would like to see this element emphasised and further detail outlined.

The fundamental principle of this aim does raise another concern though: if people require guidance at this stage, then it will be because they are not engaging with financial products and services at the moment. This in itself needs to be addressed; they need to be approached sooner rather than later when they eventually fall within the remit of this strand. Again, this theme has been cited in the response to question 6. In the future, given the radical changes to pension legislation, this may no longer be an accurate description of this demographic, but – as stated in the answer to question 1 – these are the sort of evolving changes that the strategy must be equipped to accommodate.

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

The recommendations for action here are thorough and clearly presented. We have also considered the more detailed supporting information on this priority action, available on the website. We note that the recommendations in the supporting information are *substantially* more detailed than the summary, and are therefore primary to our response.

Priority one - This is the first set of recommendations predicated on an existing time-frame: namely, the completion of auto-enrolment from 2018. As such, we would be keen to see any kind of prospective time-frame for aims such as 'overcoming attitudinal and motivational barriers' incorporated into the strategy, especially given that any action plans would only be consequent to co-ordinated research having taken place.

Priority two – Whilst the need to 'embed clear and consistent language' is obvious, there would need to be some kind of definitive idea of what constitutes clear language before any consistency can be agreed upon. Although the strategy discusses regulators and product providers, there is not much indication of who – if anyone – will have the final authority on this.

Priority three - Similarly, although the recommended action of increasing the take-up of financial capability support has a clear goal, it does not make clear who this could potentially be aimed at. In other words, there is no reason that this aim is not equally applicable to children and younger people, raising the question of why it is contained within this priority for action rather than the previous one. Also, if take-up is to be increased, there would need to be an appropriate increase in supply, and therefore increased stability and prevalence of the funding support that such an increase in supply would need. The recommendation does not seem to take this into account.

Priority four – We agree that using all channels is very important to embedding 'clear and consistent messages', but we do feel that there is a very strong need for more research on the effectiveness of different channels. There is no indication in the strategy of when or how this would be done, even though it would critically inform this key recommendation.

On a broader level, the general focus of these recommendations seems rather vague. There are many ways to plan for retirement; for example debt repayments, pension savings, downsizing, part-time work, self-employment, reducing outgoings, equity release, etc. However, the strategy seems to have only acknowledged the 'saving' aspect of retirement planning. The frequent inadequacy of retirement planning products has also not been considered.

Consultation question 11: *How far do you support the Strategy's aims for older people?*

We do not understand the use of the word 'strong' in this context to describe the older and retired demographic. It has not been used in the way anywhere else in the draft, and it feels as if it is being used interchangeably with the word resilient; if so, why is resilient not being used? If not, then we are unclear on the key difference between strength and resilience.

Related to our answer for question 2, this aim seems to accept certain means and pressures as being set in stone and factors to work around rather than factors to address. Putting aside 'means' for the moments there is a growing body of evidence into the existence of 'elder abuse', which includes financial abuse and control of older people by – most often – their family. This is a specific 'pressure' that would affect the clients in this priority area more than any other, and yet the stated aim seems to accept external non-financial pressures as being divorced from its goals. We feel this should be reconsidered to take into account this very specific nuance associated with older people.

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

The recommendations for action here are thorough and clearly presented. **We have also considered the more detailed supporting information on this priority action, available on the website.**

Several of the recommendations under point 7 on page 23 of the draft are focussed on helping older people shopping around for the best deals, or maximising their income. It seems unusual to separate this out for this particular priority area, as such recommendations are not unique to the older generation; in fact, they would seem to be a stable aim for all the priority strands. There appears to be a lack of cross-cutting design within the strategy.

We suggest there is an omission in this priority of the topic of end-of-life planning. This is a key factor in the financial profile of older people, and can be a sizeable cost, as has been made well-known in recent reports released by AXA[2]. Many older people will make need help with the financial decisions needed to try to deal with this cost, and would require specific guidance on it.

[2] https://www.sunlifedirect.co.uk/press-office/2014-cost-of-dying-soars/

Consultation Questions 13: *How far do you support the Strategy's aims for people with financial difficulties?*

This aim is very broad and it could easily be considered to the overall aim of the strategy or the entire field of financial capability. We would suggest a phrasing such as 'the strategy's overall aim in this area is to improve financial capability, enabling more people to resolve their debt problems quickly, securely and sustainably and thereby reducing the number of people who become trapped in a debt cycle'. This would make it clear that the intervention starts with debt advice, includes embedding financial capability and helps prevent the client from falling back into debt.

Discussion has already arisen in the preceding consultations over the definition of 'over-indebtedness' and the reply has varied around the theme of being in arrears on any three bills in the last 6-month period. This definition needs to be rigorously clarified, especially if – as stated in the answer to question 5 – it is going to form part of the diagnostic criteria to decide whether particular clients will benefit from specific services. On a related note, those clients who do not meet this specific criteria will still form a very large proportion of people in the UK, and cannot suffer any potential exclusion from the measures in this strategy simply because they have not reached a sufficiently critical position. As per the answer to question 6, attention must be focussed on ensuring a preventative approach so that people will not need to eventually enter one of the priority strands before being offered guidance.

The strategy would also benefit from clarification on the insight that existing solutions do not meet the needs of people with debt. Whilst the subsidiary notes imply that this is in terms of the *quality* of the existing solutions (the range and nature of solutions they offer and how they meet client need), discussion at the consultation events hinged on the existing solutions being insufficient in scale. That is to say, advice agencies simply lacked the *capacity* to serve an increasingly large client need and so the solutions were inadequate in that respect. We would welcome some clarity on this. For both possibilities, the strategy needs to be mindful that the supply of support is just as essential as encouragement to take up support. In either case, more detail as to how this claim has been arrived at is necessary as, for example, it not clear what evidence there is that the existing range of solutions is inefficient.

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

The recommendations for action here are thorough and clearly presented. **We have also considered the more detailed supporting information on this priority action, available on the website.** We note that the recommendations in the supporting information are more detailed than the summary, and are therefore primary to our response.

Priority Three (priority 11 in summary draft) – The recommendation that MAS leads work with public services, housing associations, key creditors and the debt sector is clear and sensible. However, there is an omission of the role of charities or the third sector. As MAS has a co-ordinating role, any actual intervention or preventative advice delivered at a granular level needs to be done by one of its partners, and existing charities such as Citizens Advice should be included here. Their omission in this recommendation is unusual as the debt advice sector is mentioned throughout other parts of this key priority, but not in this context.

Priority Four (priority 13 in summary draft) – The aim for 'MAS to initiate work with the debt sector to put in place the right formal solutions to enable people to sustainably resolve their debt problem' is unclear. Even for a high-level strategic recommendation, it is impossible to have any certainty what this actually means. We would welcome clarification on this, not least because our own research shows that priority debts are now the biggest debt enquiry area. Pre-arrears actions are useful, but clients with low means pay a lot more for credit and services. This must be addressed in a specific and targeted way.

Priority Six (priority 15 in summary draft) – We note a difference in emphasis between the supporting information and the information in the summary draft strategy: the former does not imply there is any difference in weighting between quality, consistency, effectiveness and supply, whilst the latter is worded to strongly emphasise the scale of supply over other factors. We would agree with the tone of the former, in that supply should not be made a primary focus at the expense of other elements of the advice, and would like the draft priority to have a consistent message in both locations.

On a related note, and as a separate point to the one below, we would also like it to be acknowledged that financial capability within any debt advice model would be more effective in a targeted approach. In other words, clients are far more likely to retain guidance and enact behaviour change on issues that they have already fallen foul of: however, this does not preclude them from developing other debt issues in the future, and integration of financial capability cannot be considered as a one-time remedy that will mean a client will never need to use advice services again.

As a more general concern, and relating to an earlier point about clarity of language, there is a growing need for a clearly demarcated boundary of terms. 'Money advice' is being used here in a context that is the same as 'preventative money advice' and that itself is interchangeable with 'financial capability'. Although there was an initial push for clarity of these terms during the existence of the last national strategy, these boundaries between terms have slowly eroded with time. Surely it is appropriate to now re-establish some clear and straightforward industry terms that can be used consistently, not only in this strategy document but also throughout the sector?

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

The aim here is clear and one that we would support. We would however recommend caution around the use of the word 'appropriate' when making a decision which financial services are easy and accessible to key demographics. Although some element of prioritising products is inevitable – and sensible – there are inherent risks if we start to promote an approach where some financial services are on offer and others are not.

For example, for some clients it may be sensible to only offer them very basic banking options – basic bank accounts or credit-builder cards, as two examples. However, they should not be limited from feeling that they have the option to go elsewhere or try more advanced products. The key to both MAS and CAB is the word ‘advice’; we should not be limiting a client’s options or reducing their aspirations when it comes to eventually engaging with a broader range of financial products and services.

In addition, we do not feel the aim takes the issue of rurality into account: although a general aim to improve the ease and accessibility of financial goods and services is good, it will lack any real impact when clients lack any digital inclusion. In Wales, 25% of the population do not have regular internet access; similar levels of rurality are also experienced in some areas of England. These clients may develop excellent financial capability, but will nonetheless be unable to actually exercise any of these abilities due to a lack of online access.

The underlying risk with the existence of this priority is one of overstating relevance. There is a strong bias here towards digital and online services. Page 8 carries a case study about Karen who doesn’t want to access the face to face service due to knowing an advisor, and on page 10 there is reference to physical barriers faced by some groups. Whilst this is true, there are clients who will not access telephone services because they do not like talking on the phone and digitally excluded groups unable to access online service. As such, over-emphasis of this one facet will in fact harm, not help, the strategy in its role as a sector-wide collaboration.

Consultation question 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 for action here are thorough and clearly presented. **We note that there is no further detailed supporting information on this priority action on the website and so are commenting exclusively on the draft summary.**

Before commenting on the individual recommendations however, we would like to note that there appears to be no recommendations related to increasing the difficulty of access to financial products of services, either by the introduction of artificial impediments or other mild barriers to the clients.
One of the most common criticisms levied against payday lenders is the extreme ease with which clients can access their products. In some cases this can be in as little as a two or three minutes via a mobile phone app before money is immediately in a client’s bank account.

In a similar example, criticism has been placed on the gambling industry recently for the comparative ease with which their online (and mobile app-related) transactions can occur. As a result, the industry is now becoming more open to self-regulation on this; more check-boxes for clients to tick as they process through an app may be small features but do constitute more barriers to protect the vulnerable.

In a similar way, consideration needs to be given for reducing the ease with which some payday lenders can be accessed.

Priority Seventeen – This recommendation seems sound, although all the strands within it are ambitious. Even taking the behavourial economics aspect out of the equation, ideas such as standardising terms and language, whilst also increasing clarity of credit costs, are challenging in their execution. We wholeheartedly approve of this as a goal, but strongly urge that a proportionate amount of effort is spent developing the action plans that follow on from this recommendation.

Priority Eighteen – We welcome the recommendation to highlight the benefits of independent advice, and recognise this is contingent on that advice being there. Many partners have echoed the need for sustained funding in order to make sure that projects promoting preventative advice can be implemented and maintained. A lack of certainty and direction in the funding landscape makes it more difficult for even the most well-meaning organisations to effectively use their time and resources in a sustained, long-term way.

Priority Nineteen – Although a brief recommendation, we would consider this – the continued innovation of interactive tools – as being absolutely key to redressing the current imbalance in the online approach of most organisations. Most organisations still have a tendency to view online channels as being little more than another way to distribute information that was historically contained in information handouts. We agree that this has to change to a much more interactive and up-to-date model. This recommendation needs to be weighted accordingly to reflect that, as it is a recommendation that we feel simply cannot be over-stated in importance.

We would welcome more detail in this priority. We would like to see this section of the strategy to be greatly enhanced, making it clear how MAS will actually influence the financial services to co-design new products and services, with attached time-frames.

Consultation question 17: *How far do you support the Strategy's aims in relation to influencing social norms?*

We cannot lose sight of the fact that the key word in the advice sector, and in fact for MAS or Citizens Advice, is the word 'advice'. Although we do agree that something needs to be done to influence social norms, we are also very aware that this has the potential to be an incredibly sensitive issue.

An excellent example of where this sensitivity needs to be exercised is on page 8 of the draft strategy, where a case-study is contained for Karen, aged 43. We have concerns about the inclusion of this particular example; our experience as an organisation is that it is an atypical situation, and that clients rarely exhibit this sort of irresponsible behaviour. Often, as alluded to in the answer to question 5, clients in a severe debt situation will have had to develop good budgeting skills. The implication that a client might be exacerbating their problem in a thoughtless fashion is insulting to the majority of our clients who actually try extremely hard to manage their debt problems, and it is a perspective like this that could serve to alienate the same people we're trying to reach out to.

Discussing money will always come with some element of judgement: be it class consciousness, or judging people's values and priorities. Citizens Advice has always been extremely careful to maintain the impartiality of our advice in every element of debt advice, money advice, or financial capability. The stress for us has always been on advice and guidance, but fundamentally we will not and cannot dictate the choices clients should make. There is a fine line between balancing individual freedom and choice against a collective 'norm', and the potential criticism that could follow is not something to be underestimated.

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

The recommendations for action here are thorough and clearly presented.

It is difficult to gauge the appropriateness of the recommendations for this aim, simply because the entire field this relates to is so young and developmental. Every element of this will be informed by behavourial economics, which is a field that is rapidly growing and changing.

We note that this priority for action has the least development of all areas covered by this strategy but at the same time, it has the broadest and most far-reaching remit. Although we would also find it difficult to specify recommendations in a field that is reliant on such current research and models, we do advise that caution should be taken when developing action plans from these recommendations. As they stand, they are more along the lines of research or data-capture themes. We would like to see the strategy informed by what the research highlights rather than the focus being on further research and consultancy. If this means a much stronger focus on pilot projects, we would welcome this as it would still to add to the evidence and direction of the strategy in a meaningful way. As per our answer to question 1, this strategy needs to be ready to evolve upon the introduction of new data. In this case, as developments continue to occur in this field, action plans needs to be adjusted to reflect them.

This aim and its recommendations are very ambitious. Even if there was a simple principle in an action plan such as changing advertising nuances in the UK (given the key insights the aim is based on, this does not seem an unreasonable guess) this still has to be put into perspective.

UK advertising expenditure in 2013 was £17.9 billion. The NHS in the same period allocated £2.8 billion to promoting healthy lifestyles[3]. However, the impact the NHS has had on shifting cultural norms to healthy eating and exercise has been minimal, if any. With a vastly smaller budget, it is unclear exactly how this priority of influencing social norms will be achieved.

Consultation question 19: *How far do you support the Strategy's aims relating to evidence and evaluation?*

We fully support the aims in relation to evidence and evaluation. The frameworks are an excellent start to helping understand what works in the field of financial capability.

An aspiration of the programme could be - once measures are developed for indicators - that a 'financial capability star' similar to homeless / family star is produced. These stars are widely used within the sector to assess clients progress

[3] http://www.nao.org.uk/wp-content/uploads/2014/09/Funding-healthcare-making-allocations-to-local-areas-summary1.pdf

and work towards improvements, and organisations routinely use them selecting the areas of the star that relate to their work.

However, this is only speculative at this stage: currently there is a lot of work needed to turn the frames into appropriate measures and indicators for different types of interventions with different groups. As such, care must be taken that we do not give funders an impression that this framework delivers an off-the-shelf tool exists that organisations can use to assess the impact of their financial capability.

At this point, we would like to question what within the framework is fixed, and what has some elements of flexibility: for example what process exists to amend or expand the indicators currently used within the framework? On that note, are there any definitions on the minimum number of indicators an intervention must demonstrate in any outcome area to be classed as a financial capability intervention? Clarity is needed on these points before development can start in earnest.

Separately, any specific monitoring activity, particularly tracking surveys, will need to include adequate sample sizes for progress to be monitored separately for each home nation. We note that in last year's 'Financial Capability of the UK' report the weighted sample size for Wales was 247 respondents (257 unweighted). We are aware that there are intentions to increase the overall sample size over subsequent years and would therefore urge that the sample size for Wales is increased to a minimum of 500 respondents to ensure effective sub-analysis by standard demographics (ie. age; socio-economic group) and Welsh region.

In addition, as England and Wales already have existing and different ways of measuring deprivation, does the strategy for the evaluation toolkit to reflect this? For example, Wales has the Welsh Index of Multiple Deprivation: has folding this within a broader set of evaluation indices been considered for the strategy?

Our concerns about the implication that this will be an off-the-shelf experience stem from our doubts about the principle behind a 'common' evaluation toolkit. Our experience of these in other sectors has been that they become overly complex and cumbersome to implement: for example, the current IFC Ecorys evaluation can take 15-20 minutes to complete.

It would seem more sensible if the strategy set out a few key principles that every financial capability intervention should achieve (such as building resilience, for example) and give a *clear* indication on how this would be evaluated. This would need to have very clear, specific indicators and criteria (as alluded to above), but it could then be used as the basis of a streamlined and usable toolkit. The risk of a common toolkit trying to please everyone - and therefore satisfying - no-one is considerable.

Finally, we would like to see more reassurance that this approach does not end simply with the acquisition of good evaluation. The only value of robust evaluation data is how it is applied, and how it is used to inform subsequent learning. We welcome the commitment to use evidence to inform delivery decisions and this evaluation should ensure that commissioning and funding is only directed towards services that are proven to work. The priority should make this clear, and consider it in any forthcoming action plans.

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

The strategy refers to developing measurement tools corresponding to each indicator and providing an accompanying set of practical tools that cover both templates and decision tree tools to identify the most appropriate evaluation method for an intervention, and also template spreadsheets to facilitate collecting and analysing data. All of these areas are important to develop to take the framework from a theoretical basis into practice and this is where the success of the frameworks implementation within the sector will hinge. However, when it comes to actually translating these recommendations into reality, we do have the following comments to add.

Firstly, priority 22 is contingent on an industry-wide adoption of this approach to evaluation. Many different organisations are involved in delivering financial capability and they are subject to in-house pressures that tend to dictate their approach to evaluation. Local councils answer to in-house guidelines, as do housing associations. Charities often rely on a combination of their own guidelines, and funder requirements that can vary massively. Essentially, these pressures will always supersede the strategy on a practical level; practitioners have to meet the pressures placed on them. In order for this priority to stand any chance of working, then elected members, funders, and other key stakeholders all need to commit to adopting this evaluation model. If that was to occur on a widespread level, then the pressure on practitioners at a granular level would then trickle down with a changed focus; adoption of this evaluation toolkit would then be much more likely.

Secondly, priority 23 does not mention charities or third sector. Although this priority is focused on the premise of research and evaluation, it is crucial that the vital role of practitioner agencies is not overlooked in this. As in the answer to question 14, this omission seems unusual as – in many cases – it will be front-line services that have the key role to play in most research activities.

Consultation question 21: *How would your organisation like to be involved in further development of the Strategy?*

We would like to continue to be closely involved in the further development of this strategy. This has so far included participation in the steering group and operational group as well as the working groups in the three segments. We believe that as an established brand and experienced delivery partner, our expertise from delivering money advice funded by MAS as well wider financial capability programmes and integrated advice interventions means that we are uniquely placed to support this development. We recognise that MAS will need to develop more detailed plans across the strategy's areas for action and we look forward to supporting this development. We see MAS' strengths lie in its role as a co-ordinating organisation, facilitating partnership working and sharing of best practice.

Consultation question 22: *What role do you see your organisation playing in the implementation of the Strategy?*

As a major provider of standalone financial capability and money advice information, skills training and advice, we look forward to playing an important role in the implementation of the strategy. We work across all the demographic groups that are identified and integrate our financial capability services into our advice work wherever possible. We intend to be further guided by the ongoing MAS-lead work in this area as we continue to develop our own financial capability services and materials. We also hope to continue to grow our MAS funded services across England and Wales.