Call for evidence summary

Background

The call for evidence for the UK Strategy for Financial Capability ('the UK Strategy') ran from 16th May 2013 to 26th July 2013. It was supported by stakeholder events in London, Cardiff, Edinburgh, Manchester and Belfast.

In total, 46 formal submissions were received with 39 of those providing supporting documentation and evidence. These were supplemented by bi-lateral meetings with other stakeholder organisations such as Advice UK, Rethink and The Pensions Regulator. A full list of organisations who formally submitted is included in Annex A.

The submissions were analysed by the Money Advice Service and this is a short summary of findings.

Alongside this document, we are publishing a document summarising the evidence that currently exists on why financial capability is important and the benefits of financial capability for consumers, industry and the state.

Mapping of Financial Capability

The first part of the call for evidence asked for details of existing provision for financial capability across the UK, focussing on the interventions currently being delivered rather than those in development.

Over a third of organisations who completed the questionnaire have a UK-wide presence with a smaller proportion of organisations delivering financial capability in either one or more of the four countries (detailed breakdown of location is provided in Annex A):

- England - 30 per cent
- Wales - 13 per cent
- Scotland - 13 per cent
- Northern Ireland - 8 per cent

The majority of organisations (69%) provided some form of financial capability to adults, while almost two thirds of organisations targeted young people (5-24 years of age) in some way. Children and those with a disability received significantly less coverage with only 26 per cent and 28 per cent of organisations targeting them respectively.

Case Studies: Approaches to financial capability for different groups

Adults and financial capability – targeted by 69 per cent of organisations
National Numeracy aims to reduce the number of adults with low levels of numeracy by over 1 million in the next five years through their 'National Numeracy Challenge' programme. Their delivery approach was piloted in summer 2013 and the initiative will focus on building people's numeracy skills and confidence, through working with employers and other organisations. National

Numeracy believes that improved numeracy will help people manage their money better, make better financial decisions and help prevent them from falling into financial difficulty.

Older people and financial capability – targeted by 49 per cent of organisations
Age UK is a UK-wide charity that focuses on providing advice and support to older people across a wide range of topics. They are increasingly looking at how best to support the financial capability in old age. Their work shows that older people's financial capability needs depend on circumstances including their health and wellbeing, retirement funding and support network. Further segmentation will be needed to understand the specific needs of different categories of older people.

Young people and financial capability – targeted by 60 per cent of organisations
Fairbridge, now part of the Prince's Trust, was a charity operating across the UK working with young people and, in part, aiming to improve their financial capability. The organisation ran a 'Young People and Money' programme that involved role-playing, film-making and interactive sessions that were designed to stimulate young people to think more carefully about how they spend their money.

Fairbridge identified 17 principles of best practice which were key to making the most of the opportunity to influence a person's financial capability, particularly when working with 'NEETs' (Not in Employment, Education or Training) and vulnerable young people. The primary principle was related to timeliness of delivery – making sure the focus was on a small number of issues that had been prioritised properly.

Children and financial capability – targeted by 26 per cent of organisations
pfeg (Personal Finance Education Group) is a UK-wide organisation that provides schools with advice, resources and materials that can be used to plan and teach children and young people how to manage their money now and in the future.

Its 'Quality Mark' assesses financial education resources ensuring they align with national curriculum requirements and are of good quality. In addition to providing school-based teaching materials, the charity runs the yearly "My Money Week" which is a themed activity week run across schools in England. pfeg also co-ordinated the 'Take Charge' partnerships activity which completed a mapping exercise of financial and entrepreneurial education in schools in 2013.

Vulnerable people and financial capability – targeted by 43 per cent of organisations
Macmillan Cancer Support provides practical, medical and financial support and advocates better care on behalf of those affected by cancer. The organisation focuses on providing people with practical information on areas related to money management, such as benefits entitlements, to help them manage their money better at a time when they may be more vulnerable.

Of the people they have worked with, 47 per cent stated that advice sought and received had a positive impact on their financial situation since diagnosis.

People with disabilities and financial capability – targeted by 28 per cent of organisations
Scope provides support, advice and information for more than a quarter of a million disabled people and their family members every year. Areas covered include education and training, therapies, communication and 'money and work'. Scope has identified a number of areas related to money where disabled people are more likely to be negatively affected including fuel poverty and welfare reform.

Mapping provision of financial capability activity in the UK

The submissions received have formed the foundation of a mapping exercise to improve our understanding of the totality of financial capability interventions being carried out across the UK. The findings from the call for evidence are being supplemented by additional research being carried out by London Economics and will also be informed by the Take Charge mapping of financial education.

This work will help identify any gaps in the supply of financial capability interventions so that approaches to addressing these gaps can be developed. This work is also an important step in working towards a more co-ordinated sector, in which organisations can work together to signpost people to the most appropriate source of advice, support or information.

Based on the submissions made in response to the call for evidence, the proportion of organisations who deliver financial capability to people with disabilities and to children appears to be quite low. However, further work will need to be done to better understand the depth and coverage of existing provision in order to accurately establish whether existing interventions are in fact fully supporting the needs of these groups.

Evidence of Impact and Outcomes

Almost 70 per cent of organisations who responded to the call for evidence had some form of evaluation programme in place. The evaluation of existing interventions focused mainly on the number of people using a specific intervention, their satisfaction with that intervention and the immediate or projected impact it would have on their money management.

A number of programmes asked individuals whether they had learned something new and how they would use it but we did not receive evidence about any follow up that evaluated whether or not this happened or whether the immediate impact upon behaviour was sustained over a period of time.

Some evaluation programmes, such as that carried out by National Debtline, focused on a combination of outcome measurements (creating personal budget and sticking to it) and improvements in their ability to manage their money (feel more knowledgeable and better at budgeting).

Case Study: Evaluation of National Debtline

Following contact with National Debtline -

- 88 per cent of callers agreed that they felt more knowledgeable about financial matters overall;
- 84 per cent felt that they were managing their money more successfully;
- 84 per cent agreed that they felt less likely to find themselves in a similar situation again;
- 80 per cent agreed that they were better at budgeting and had a clearer sense of how much money is coming in and out;
- 61 per cent created a personal budget for the first time;
- 80 per cent were keeping to it three months later.

A number of organisations, such as Advice NI, Macmillan Cancer Support and Shelter, cited the positive impact financial capability interventions had had on their clients' lives both directly on their money managements (income maximisation, better budgeting) and indirectly on their general wellbeing (lower levels of stress and depression).

Evidence of longer-term changes in budgeting and money management behaviour is easier to assess and evaluate when a relationship with the individual has been established. This is most frequently done through face-to-face/telephony channels with direct follow-up or through development of online Customer Relationship Management (CRM) resources, where information about the individuals is captured and used to direct them towards more relevant information.

For young people, programmes that had an impact on skills and knowledge tended to combine financial and enterprise education. However, additional evaluation of financial education specific programmes and interventions would provide valuable information on the impact that these programmes have on young people's financial capability.

Case Study: MyBnk Financial and Enterprise Education

MyBnk runs a schools-based programme in parts of England and Scotland that looks at both money and enterprise which is evaluated from both angles.

Financial Skills

- 92% - cut back on their spending on a budget to make savings (compared to 76% beforehand)
- 90% - provide solutions to their money problems (62% before)
- 96% - identify the differences between their needs and wants (88% before)

Financial Knowledge

- 97% - what will happen if they don't pay back money they owe (86% before)
- 93% - why deductions are made from a person's pay slip (49% before)
- 93% - different ways to save money (70% before)

Financial Attitudes

- 96% - understanding the importance of budgeting (compared to 70% beforehand)
- 93% - feeling confident about dealing with their money in the future (80% before)
- 90% - planning to save their money more regularly (69% before)

Enterprise skills

- 92% - create an idea for business
- 95% - recognise and solve problems
- 93% - work well with others

Enterprise Knowledge

- 91% - 3 qualities needed to be an entrepreneur
- 82% - know what a social enterprise is

Enterprise Attitudes

- 87% - set up their own business
- 89% - use their enterprise skills in many places

Personal Skills

- 83% - work well with others.
- 100% - adapt and be flexible to situations
- 91% - reflect on their experiences to identify decisions they would make differently in the future

Personal Attitudes

- 100% - communicate effectively.
- 91% - commit to a project to see it through from beginning to end

As part of the development of the UK Strategy, the Money Advice Service will work with partners to design a common evaluation framework that can be adopted by organisations delivering financial capability interventions. This will allow organisations to better understand what is working well and where further developments or investment may be needed in order to generate better outcomes for consumers.

While the vast majority of organisations operate across more than one channel, submissions focussed for the most part on face-to-face interventions and delivery for both preventative and crisis interventions. The Money Advice Service recently carried out Deeper Actions research in order to understand what level of action individuals took after coming into contact with the Service through any channel (web, telephone, webchat and face-to-face). This found that there was little difference in the proportion of people taking action across channels. For example, 62 per cent of people using face-to-face stated they had taken action compared to 58 per cent of web users.

Achieving Behaviour Change – what works well and what doesn't

When looking at what worked well in achieving behaviour change, a number of organisations cited the effectiveness of hands-on practical materials, such as budget planners and to-do lists. The timeliness of the intervention and the point of delivery also affected the impact it had on the individual in need of support.

For preventative interventions, it is important to understand the counterfactual to assess the potential for detriment or likelihood of an individual experiencing a negative financial outcome if they had not received the intervention. This can be difficult to model and, as a result, few organisations have been able to benchmark the effectiveness of preventative interventions.

The evaluation framework and best practice resources that will be developed and shared as part of the UK Strategy, will provide organisations with a valuable dataset that could be used to identify interventions that are working well and where improvements could be made to drive better outcomes for individuals.

Effectiveness in driving behaviour change was highlighted in a number of instances where the intervention was focused on resolving a crisis such as imminent homelessness, crisis debt or another change in circumstance such as serious illness. The effectiveness of the interventions delivered in these instances was assessed based on the resolution of the issue identified and the individual's satisfaction with how the issue had been resolved.

Where the desired change in behaviour was not achieved, this was mainly attributed to an overload of information, the one-off nature of the intervention being delivered or the inability to successfully transition a person from crisis debt advice to preventative money advice which would break the cycle of getting into bad debt.

Case Study: Shelter Scotland

In its submission, Shelter Scotland cited practical hands-on techniques as working best in achieving beneficial outcomes for their clients. While information and advice were helpful, clients stated that getting as much done as possible while sitting with the adviser was key, for example, filling out forms, making phone calls, researching options etc.

Tenancy sustainment projects are an example of collaborative learning and development where clients are visited in their homes and given practical support and training to help them manage their household successfully.

In addition to receiving good client feedback, Shelter Scotland has also ensured that 500 clients have avoided homelessness since the inception of money and debt advice at the organisation.

WARNING: Too much information can harm

The report 'WARNING: Too much information can harm', written by the Better Regulation Executive and National Consumer Council in 2007, focused on the effect of information overload on people.

The report suggested that too much information presented in a complex or unappealing format led to people disengaging with the vast majority of 'regulatory' information such as that concerning health and safety, financial planning and security.

The report specifically recommended that the FCA (FSA at the time of the report) needed to continue to work with financial services providers to provide consumers with the information they need about financial products in a form they can use. The Child Trust Fund decision tree tool was cited as a successful example of product communication that presented information clearly and drove action despite low levels of financial capability.

Barriers to Financial Capability

Barriers to financial capability were identified on both supply and demand side and covered both tangible and intangible elements.

From a supply side, three issues were identified and appear here in order of importance:

- Funding

  A number of organisations cited existing funding arrangements as causing delivery issues. The East of England Financial Capability and Inclusion project stated that funding organisations are unable to commit resource ahead of confirmation of funding, reducing their ability to plan and implement interventions. In particular, limited funding means that there is less opportunity to invest in resources such as staff/advisor training, tools and resources and evaluation programmes which require funding and resource to manage.

  Issues related to funding have also been identified in the debt advice sector and, going forward, grant agreements given by the Money Advice Service to fund free debt advice will be for three years. This will enable organisations who receive funding to plan spending over the medium rather than short term.

- Lack of standardisation of tools and success measures

  Currently, no common framework for evaluation across financial capability exists, making it difficult for organisations to compare the performance of interventions. This inhibits their ability to share best practice and develop more effective interventions that would deliver the best outcome for the individual.

  There is also some concern that without some level of standardisation of tools and resources, people may get confused, particularly when transferring between different providers. There is a need for some level of co-ordination to ensure that the message being communicated to individuals is clear and consistent so that it does not cause confusion which could lead to disengagement. Around a third of respondents recognised the potential benefit of greater co-ordination between organisations so that people are more quickly and consistently directed people to the best possible source of information and advice.

- Lack of material addressing specific needs

  A number of specialist organisations cited the need for greater availability of information and resources that have been tailored to address specific needs, such as terminal illness, homelessness or redundancy. In providing people with easy access to the information they need, when they need it, organisations stated that people were more likely to engage with the material and take a course of action.

  This was particularly relevant to those who had recently experienced an income shock, such as those who had been made redundant receiving timely advice about relevant benefits and budgeting advice. Similarly, it is important for those addressing crisis debt to have access to clear information on how best to prioritise and address the issues at hand.

Case Study: The Money Advice Service – Effectiveness of Debt Advice, OPTIMISA Research 2013[1]

- Individuals in unmanageable debt who have sought debt advice are almost twice as likely to move into manageable debt within 12 months compared to those who have not sought debt advice.
- Advice seekers are also more likely to remain in manageable debt than non-advice seekers suggesting that debt advice helps not only to manage debt but to sustain a manageable level of debt.
- All channels used to provide debt advice are equally likely to be effective in helping people move out of unmanageable debt within 12 months.

From a demand side, three issues were identified and appear here in order of importance:

- Levels of literacy and numeracy

  Lower levels of literacy and numeracy will affect an individual's ability to access, interpret and utilise information related to their financial capability at the most practical level as they will not possess the ability to engage with them properly.

  Organisations across the board stated that low levels of basic literacy and numeracy can have a negative impact on a person's financial capability.

  Research submitted by National Numeracy has shown that there are proven links between lower levels of numeracy and those likely to miss repayments and losing their home. Links have also been identified between lower numeracy and employment status as well as earnings.

Case Study: Financial capability amongst adults with literacy and numeracy needs – University of Bristol

Part of the research focussed on the following three groups of adults:
A - have low qualifications (nothing above a GCSE grade D-G or equivalent)
B - have no qualifications
C - have difficulty reading English (a group which includes people from the first two categories, plus others)

[1] 360 degree evaluation of Money Advice Service funded face-to-face debt advice, Money Advice Service / OPTIMISA research, 2013

- Few of the adults in the three groups were planning ahead effectively. Only 13 per cent of Group A and 10 per cent of those in groups B and C were adept at making plans for their future.

- The people in all three groups were particularly likely to score poorly in terms of their capacity to stay informed. Income was a significant predictor of scores in this domain across all three groups. In all cases lower income was associated with lower scores.

- Digital, geographical and financial exclusion

  Respondents identified a number of other sorts of exclusion as being relevant to financial capability. In particular, they cited digital, geographical and financial exclusion as being particularly relevant. Although each form of exclusion impacts on a person's financial capability in a different way, in many cases people are affected by more than one of these factors.

  Research has shown that those who are digitally excluded are less likely to shop around for better deals, which reduces their ability to make the most of their money. The wider benefits associated with broadband penetration were also highlighted in the 'Manifesto for a Networked Nation'[2]. When looking at Ofcom's 'UK Fixed Broadband Map 2013', the Commission for Rural Communities found that areas where there is lower penetration of broadband and where existing broadband speeds are lower tend to be rural.

  Similarly, rurality and geographical isolation can directly influence the availability of resources that support greater financial capability. This can include access to financial services through banks or ATMs and access to competitively priced outlets. Some efforts to combat this sort of financial exclusion have been made by the introduction of mobile banks (RBS Group and Lloyds) where services are provided to remote areas, such as the Shetland Islands, on a weekly basis.

  The cumulative impact of these issues can seriously impact a person's ability to take control of their money. The Money Advice Service "Indebted Lives" research[3] has shown 20 per cent+ of the population of Tyrone is considered over-indebted while tOfcom's UK Fixed Broadband Map 2013 also shows that broadband penetration is considerably lower in this area than the rest of the UK. Conversely, in Greater London where there is over 80 per cent broadband penetration and more developed infrastructure, less than 10 per cent of the population are over-indebted.

- Barriers to market entry

  A number of barriers to market entry have also been identified as being responsible for limiting the ability of individuals to engage with and take control of their money. These include:

  - a lack of awareness about the availability of advice and information;
  - cultural and language barriers preventing people from getting the information they need;
  - a distrust of institutions and organisations delivering services related to financial capability; and
  - limited awareness of need where individuals have not yet realised they may benefit from advice, information or support to help them manage their money.

  In addition to this, income level has also been shown to affect financial behaviour. Our research[4] has shown that those on lower incomes are better at keeping track of day-to-day

[2] Manifesto for a Networked Nation, Race Online 2012, July 2010
[3] Indebted Lives, The Complexities of Life in Debt, Money Advice Service, 2013
[4] The Financial Capability of the UK, Money Advice Service, 2013

finances than those on higher incomes. However, those on lower incomes are much less likely to take precautions to safeguard against any future detriment through protection products as the cost of protecting against something that could happen is outweighed by dealing with immediate needs. Only 48 per cent of those earning up to £14,999 have contents insurance compared to 83 per cent of those earning £50,000 or more.

Conclusions and next steps

The call for evidence will form part of our evidence base to inform the development of the financial capability strategy for the UK in four particular areas.

1. **Existing Provision**

   There are a wide range of organisations currently involved in improving the financial capability of the UK. We will develop a mapping of provision, the initial phase of which has now been completed by London Economics. Delivery is not centrally co-ordinated, meaning that there is limited sharing of best practice and evidence of what is having a beneficial impact. The Strategy will look to address these issues and bring greater co-ordination to the sector.

2. **A common evaluation framework**

   Existing evaluation of interventions currently looks at immediate impact but there is considerable variance in the methodologies used and no standardisation of evaluation. We will work with others to co-create a common evaluation framework, to make comparisons between the success of interventions easier and help inform the targeting of limited funding available for financial capability measures.

3. **Addressing barriers to financial capability**

   The call for evidence highlighted barriers to financial capability on both the supply and demand side including, literacy, numeracy, digital exclusion and lack of awareness of existing or potential needs. We will consider these during the development of the UK Strategy as we identify target groups and develop priorities for action.

4. **Funding**

   The issues faced by organisations that are related to funding are twofold. In the first instance, funding is limited and this can determine what organisations deliver and how far it reaches. However, linking evaluation and funding could offset some of the problems associated with this by ensuring the limited funds available are invested in delivering the most effective interventions. Secondly, funding streams are not guaranteed and the short time horizon upon which they operate can affect organisations' ability to plan effectively to deliver and monitor interventions that are designed to have a longer-term impact. While funding of free debt advice is now carried out of three years, no similar funding structure is in place for money advice where funding is more disparate. Greater co-ordination of funding could tackle this issue.

Annex A – Submitting Organisations

UK Wide	Regional		England	Scotland	Wales	NI
Age UK	Bristol Debt Advice Centre	Bristol	CAB	CAB	CAB	Advice NI
Child & Youth Finance International	Calderdale CAB	West Yorkshire	Child & Youth Finance International	Child & Youth Finance International	Child & Youth Finance International	Financial Capability NI
The Money Charity	Cambridge Housing Society	Cambridgeshire	Money Advice Plus	MyBnk	Money Advice Plus	A4E
Fairbridge	Hambleton & Richmondshire CAB	North Yorkshire	MyBnk	Stewart Ivory Financial Education	Trading Standards Insititute	Danske Bank
Joseph Rowentree Foundation	Scope	Nottingham	Trading Standards Insititute	Trading Standards Insititute	Bronafon	Ulster Bank
Macmillan	Shelter Scotland	Angus, Clackmannanshire, Dundee City, Falkirk, Perth & Kinross & Stirling	A4E	Wheatley Group		
MAT	Staffordshire North & Stoke on Trent CAB	Staffordshire & Stoke on Trent				
National Numeracy	SUBU	Bournemouth				
pfeg	Toynbee Hall	sector East London				
Young People and Money Consortium	Worthing Homes Ltd	West Sussex				
Arrow Global	Cantref - housing association	Carmarthenshire, Ceredigion, Pembrokshire				
Association of Financial Mutuals	Just Retirement	Greater London & Kent				
MoneyVista						
Prudential						
UK Cards						
Unbiased						
Wonga						
Institute & Faculty of Actuaries						
Investment UK						
Institute of Fiscal Studies						
University of Bristol						