

Financial Capability Strategy for the UK



Working-age people in the UK don't plan ahead:

12 million

aren't saving enough for their retirement

27 million

don't have a sufficient savings buffer to allow them to cope with a significant income shock

Only half

of people with families have any life cover

Many UK adults don't have the resilience to deal with day to day events:

21 million

don't have a modest £500 savings buffer to replace a fridge or mend the car

19 million

don't have an approach to budgeting that they feel works

And too many are in financial difficulties:

Around 8 million

have problems with debt

Of those, just

One in six

is seeking help

This Strategy, developed by the Money Advice Service and overseen by the Financial Capability Board, aims to improve financial capability, giving people the ability and motivation to address the situation described above.

That means improving people's ability to manage money well, both day to day and through significant life events, and their ability to handle periods of financial difficulty. It will focus on developing people's financial skills and knowledge, and their attitudes and motivation. This, combined with an inclusive mainstream financial system, can help people achieve the best possible financial wellbeing.

The Strategy consists of:

- a clear description of the problem the Strategy is looking to solve, and why it matters, including a comprehensive analysis of the 2015 Financial Capability Survey;
- an articulation of what success looks like over the 10-year life span of the Strategy; and
- a plan for how to get from today to achieving the ambitions of the Strategy.





Why this Strategy is needed

Improving financial capability is a huge challenge but one that collectively it is possible to rise to. There is a need to counter deeply embedded social norms which mean that many people are spending today rather than saving for tomorrow. And to prove which initiatives can make a difference in improving financial capability.

There will always be external factors that impact on how people manage their money or indeed how much money they have, such as wider economic circumstances or changes to Government policy, over which the Strategy has no direct control.

What the Strategy can and will do is build levels of financial capability to enable more people to navigate changes in their financial circumstances when they occur and help them manage the money they do have.

The belief, and the consistent message from stakeholders, is that levels of financial capability must be improved from their current low levels, and that if everybody works together it is possible to rise to the challenge. The changing financial environment makes this more important than ever before.



What the Strategy will achieve

As a result of this Strategy there needs to be significant improvements in financial capability over the course of the next 10 years. Change will not happen overnight. Improving financial capability is a long-term and complex endeavour involving all sectors – government, industry, regulators, the third sector and the media. It does not lend itself to simple remedies or easy targets.

The Financial Capability Board considered, at length, whether to set specific targets for the Strategy around improved financial capability (behaviours, skills, knowledge, attitudes, motivation and accessibility). They decided against doing so at this stage. The limited evidence about the impact of interventions to improve financial capability make it difficult to assess what would be a challenging yet realistic outcome.

Over the next six months, the Money Advice Service will focus on developing a small set of composite measures that allow us to monitor the progress of the Strategy, and allow us to consider setting targets in due course.

That means we will measure the impact of the Strategy against the aim of improving people's ability to manage money well day to day, prepare for and manage life events, and deal with financial difficulties. We will also measure the impact on people's financial skills and knowledge (for example, improving their ability to use basic numeracy in complex situations); and their attitudes and motivation (for example, saving for tomorrow rather than spending today).



This approach is consistent with that taken by the vast majority of other countries around the world who have developed financial capability strategies.



Delivering the Strategy

The Strategy is built around the concept of 'collective impact', a strong emphasis on evidence and evaluation, and a clear delivery plan.

Collective impact

Collective impact is where social change comes from cross-sector co-ordination, not isolated interventions of individual organisations. By working together, levels of financial capability can be shifted from their currently stubbornly low level.

There needs to be an effective delivery framework that is capable of co-ordinating these combined efforts, and to monitor and evolve the action plans outlined in this Strategy. That is why a number of Steering Groups are being established to guide the delivery of the different aspects of the Strategy.

The Financial Capability Board will oversee the continuing development and implementation of the Strategy, seeking to influence others to support it. The Board is made up of senior and influential figures from a range of sectors, and will be supported by the Money Advice Service who have led the development of the Strategy and will continue to provide the secretariat to the Financial Capability Board and the Steering Groups.



Evidence and evaluation

Low levels of financial capability are an issue for countries across the globe – it is a problem that no-one has cracked.

This Strategy needs to make a real difference, so it places a strong emphasis on piloting, robust evaluation of impacts, building the evidence on what works, and then scaling up interventions proven to work so that many more people can benefit.

The Money Advice Service will take on a role akin to a 'What Works Centre', seeking to improve and build understanding of the effectiveness of interventions designed to improve financial capability. It will do this by focussing on increasing the use of evidence about what works and helping build the capability and capacity of organisations to evaluate their interventions against common outcome measures. It will prove what works (and what doesn't) by partnering with others to design, fund and robustly evaluate interventions which show the potential to improve financial capability.

The Money Advice Service and the Education Endowment Foundation have launched a new 'incubator' fund to explore ways to give school pupils between the ages of 3-16 the tools and information they need to manage their money. By trialling and independently evaluating different approaches, this funding will help build the evidence base about what does and does not work when it comes to improving money management skills and educational attainment through financial education. This is typical of the work that will be done by the Strategy in the early years, before seeking to scale up the interventions that are proven to be effective.



Action plans

A range of organisations and individuals have worked with the Money Advice Service to develop priorities and specific action plans for each life stage and for each devolved nation – setting out interventions that will help improve financial capability.

This is a UK-wide Strategy which reflects the devolved nature of certain aspects of policy relating to financial capability. The initial action plans therefore include a mix of initiatives, some of which will apply across the UK, with others tailored to England, Scotland and Wales. Northern Ireland has developed a Financial Capability Strategy and Action Plans for Northern Ireland consumers. There is a good opportunity for each of the nations to work closely together, to learn from each other, and to spread best practice.

The initial action plans presented in the Strategy document reflect a ‘test and learn’ approach, with a focus on proving what works. Once that evidence is in place, we can seek to deploy resources toward effective interventions that really improve financial capability.

Next steps

Success will require the coordinated efforts of many organisations and individuals – across industry, the third sector, Government, regulators, and the media. This Strategy is a call to action to all those with an interest or ability to contribute to improving financial capability.

All organisations are asked to consider how they can contribute to the collective impact needed to achieve the aims of the Strategy by:

- committing to conducting robust and comparable evaluation of the impact of actions;
- sharing the results of evaluation via the Financial Capability Evidence Hub; and
- using the evidence to drive resources towards what is proven to work.



You can find more information about the Strategy at www.fincap.org.uk, including:

- a more detailed analysis of the evidence, needs and priorities for each life-stage and theme;
- the initial Strategy action plans;
- a list of the Financial Capability Board members; and
- an Evidence Hub, which will build over time to provide the evidence base on what works in improving financial capability.

The Financial Capability website will provide – for everyone with an interest – all relevant and up-to-date information on the Financial Capability Strategy and progress in achieving its aims.

You can contact the Financial Capability team at enquiries@fincap.org.uk