



The Consultation Response and Next Steps

Financial Capability Strategy for the UK

Foreword

Financial capability is critical to improving people's lives, helping them to withstand life's financial ups and downs. In today's world, when people are even more susceptible to financial shocks, it's more important than ever that they know how to manage their money, prepare for difficulties they may face, and be able to cope if they face a crisis. So it's worrying that levels of financial capability are still so low across the country. One in six people can't read the balance on a bank statement. Approximately 40% of the working age population are unlikely to have adequate income in retirement. Over 50% of people say that they are 'making do'. And more than 80% of over-indebted people do not seek free advice that could help them escape from the problems they face.

That's why I and the many partners involved in this project are determined to put in place a UK Strategy that helps people manage their money over the short, medium and long term. There is growing support for this initiative across the financial services sector, advice organisations, governments in every part of the UK, and the broader public sector. We have a great opportunity to improve people's skills, knowledge and attitudes towards money, and we must seize it.

Over the last few months, since we launched our draft Strategy document, we've been listening to partners and colleagues to help shape the Strategy. It's clear that interventions are needed to support people at all stages of their life. That means help for parents to teach their children about money from an early age. It means financial education in both primary and secondary schools, taught in a way that is proven to shape the right attitudes among students for the rest of their life. It means advice, guidance and support for people throughout their working lives, including if they find themselves out of work and claiming benefits. We need to help people prepare for retirement, especially in light of the changing pensions landscape and increasing longevity. And finally, we need to ensure that people in retirement are able to cope with the changes to their finances which come with finishing work, particularly as reforms to long-term care are implemented.

It's also become clear through the consultation that for our work to be successful, the vast majority of people must be able to say three things about their financial behaviour. The first is: "I know how to manage money from day to day." This means being able to shop around, find the best deal, cut back when the going gets tough and budgeting on a regular basis. The second is: "I know how to plan ahead." This means not just keeping afloat, but putting money aside in case something goes wrong, such as losing your job, or for a long-term goal like a car or a holiday, for the costs of bringing up a child, and for retirement. The third is: "I'm able to cope when I get into difficulties." This means being able to talk openly about money with family and friends, knowing where to turn for support and advice, and turning to it before it's too late.



Andy Briscoe
Chairman of the
Money Advice Service

A lot of good work has been done in the last few months. The Financial Inclusion Commission has published a set of proposals which they hope will be taken up by the new Government after the General Election in May. The Savings and Investment Policy Project (TSIP) has produced a set of proposals intended to get people saving more. At the Money Advice Service we have developed an evidence hub to enable people to understand what works in terms of changing financial behaviours. We have shaped our annual Financial Capability Survey to enable us to measure progress on the UK Strategy and have launched the new Evidence Hub. We are working to support the development of a sustainable model for financial education, initially for children and young people, and are establishing a Debt Advisory Steering Group to co-ordinate the debt sector.

Over the next few months, we will be working hard to translate the hopes and principles of a UK Strategy into tangible actions which industry, charities, regulators and the Money Advice Service can implement over the next 10 years.

I hope you share my aspirations, and I thank you for your participation in the development of the UK Strategy to date. I look forward to working with you to deliver a more financially capable society.

A handwritten signature in dark ink, appearing to read 'Andy Briscoe', with a stylized, cursive script.

Andy Briscoe
Chairman of the Money Advice Service

Executive Summary

This report sets out progress towards developing a Financial Capability Strategy for the UK, to be published in Summer 2015, and is the formal response to the consultation that was launched in September 2014.

It includes:

- progress in developing the Strategy in response to the feedback received,
- an update on the initiatives to enhance financial capability that have been launched since September or are about to be launched,
- how the Strategy will be developed and implemented through a 'collective impact' model of governance, bringing together partners across the UK,
- how we can ensure initiatives and interventions achieve the best outcomes through enhanced use of evidence and evaluation.

Aim of the Strategy

Millions of people in the UK struggle to make the most of their money. The Strategy aims to help people to improve their financial capability, to enable them to have the best possible financial wellbeing. This means addressing all the factors that influence people's behaviour – their skills and knowledge, their attitudes towards money, their motivation to take action, and the accessibility of the financial system.

Over 250 organisations in the UK, across government, financial services, the public sector and the third sector, are currently engaged in improving financial capability. The Strategy aims to ensure that the many financial capability interventions are generating the maximum benefit to consumers. It will do this by encouraging organisations to sign up to a shared set of priorities, aims and aspirations, a common method of evaluating what they do, and an undertaking to share effective practice. The final Strategy will put in place a tangible action plan, with commitments from organisations to take specific steps over the next few years to advance the cause of greater financial capability in the UK.

Overview of consultation responses

The response to the consultation was very positive overall, with agreement on the need for a strategy, plus strong support for the collaborative approach so far, and for improving evidence and evaluation across the sector. Many responses asked for more clarity or detail on the governance of the Strategy, and the specific role of the Money Advice Service. They wanted to understand how the Strategy would meet the particular circumstances and needs of the devolved nations. They asked for a clearer articulation of the links between the various capability models, and for more detail on how those models supported the identification of target groups and recommendations.

Sector roles and governance

The Strategy is a UK-wide strategy for Financial Capability, and will be based on the concept of collective impact, where large-scale social change comes from co-ordinated cross-sector effort rather than from individual interventions.

The Money Advice Service will act as the anchor organisation for the Strategy and will fund and host a secretariat to co-ordinate implementation. It will also provide data on the levels of financial capability in the UK, through its annual Financial Capability Survey and other research; encourage the use of evidence and evaluation, so we know what works; co-ordinate debt advice and prevention; co-ordinate the development of a more sustainable model for financial education; and measure the progress of the Strategy itself. The Money Advice Service will also put in place selected initiatives and interventions identified in the Strategy, but will focus resources on people who are less well served by other organisations in the sector.

A Financial Capability Board will be established to lead the Strategy, consisting of influential senior figures, acting as champions across the sector. Action Groups of key stakeholders will be asked to help develop particular elements of the final Strategy and action plan. There will be Steering Groups for the Strategy in Northern Ireland, Scotland and Wales, drawing on the membership of the existing Money Advice Service stakeholder forums. Although the Strategy will be UK-wide, it will also have nationally-specific actions for Northern Ireland, Scotland and Wales, to recognise and address the policy contexts and specific challenges of each country.

Definitions and modifications to the framework and target groups

Financial capability is a person's ability to manage money well, both day to day and through significant life events, and to handle periods of financial difficulty. It is driven by personal skills, knowledge, attitudes and motivations, and made possible by an inclusive financial system and supportive social environment. Financial capability helps people achieve the best possible financial wellbeing.

Financially capable behaviours are the types of positive behaviour and actions that the Strategy aims to promote and measure. Based on the consultation feedback, three 'behavioural domains' have replaced the original four domains in the draft Strategy:

- Managing money well day to day (including building resilience)
- Preparing for and managing life events (both planned and unplanned)
- Dealing with financial difficulties (including tackling debt problems)

We will seek to influence this behaviour across the life stages of:

- Children and young people
- Working age people
- Older people in retirement

The new Strategy Framework will be used to identify priority areas for action in the final Strategy. The Money Advice Service Financial Capability Survey has also been aligned with this framework to ensure consistency of approach.

Progress against the priorities for action

In addition to recording activity across the priorities for action, this document highlights some of the significant developments in these areas since the publication of the draft Strategy.

Children and young people

There has been significant activity in this area. In England, The Archbishop of Canterbury's Task Group on Responsible Credit and Savings is piloting a savings club and financial education programme for primary schools, in partnership with pfeg/Young Enterprise.

The Money Advice Service will be taking a co-ordination role in financial education for schools and will take forward discussions with the Department of Education and Ofsted, as well as in the devolved administrations. The Money Advice Service will also work to help funders and commissioners of financial education to deliver more impact from their investment, with the first Funders' Summit taking place in April.

The Money Advice Service is delivering a set of pilots to integrate financial capability content into existing parenting interventions for young children.

Working age people (preparing for later life)

This strategic theme has been changed from 'Preparing for Later Life' to 'Working Age People' to ensure the Strategy addresses the full range of issues and life events for this broad age-group. While saving for retirement and navigating pensions reform remain important elements of this, additional issues include managing money day to day and building resilience, saving and planning for the future, and targeting interventions for specific groups. There will be particular issues in relation to the roll-out of Universal Credit, pensions reform and changes to the social care system.

Older people in retirement

For older people, increasing resilience to financial scams and tackling financial abuse is increasingly a priority. Age UK's forthcoming report will outline the lessons it has learnt from its experiences delivering services to people in later life. This will feed into the further development of the Strategy, through work with organisations to build an evidence base for financial capability interventions that are effective in reaching older people.

People with financial difficulties

The Money Advice Service has a statutory role to co-ordinate debt advice across the UK and has set a strategic aim to double the percentage of people accessing debt advice over the next five years. It will be taking on a greater role in co-ordinating debt advice and prevention, including establishing a Debt Advice Steering Group made up of the major advice providers, creditors and other statutory bodies. National Debtline, StepChange Debt Charity and Citizens Advice have been working together with the Money Advice Service to raise awareness of free debt advice, and there have been useful developments in England, Wales and Scotland to improve insolvency solutions and build financial education into debt advice.

Ease and accessibility of financial products and services

Since the launch of the consultation, the Financial Inclusion Commission has published its recommendations to improve the inclusivity of financial products and services. The final Strategy will build on those recommendations. Initiatives such as Basic Bank Accounts and the Simple Products Framework should contribute to improving access and transparency. Access to affordable credit was flagged as a major issue by consultation respondents, and the Money Advice Service will work with the community finance sector to explore this. The Money Advice Service will also work with financial services providers on simplification of product terms and conditions.

Influencing social norms

Responses to the consultation strongly supported the UK Strategy seeking to influence social norms, so that people feel more comfortable talking about money, and seek the advice and guidance they need. Cross-sector work on this was recognised as important, because of the limits on any one organisation's capacity to create change in this area in the short-term or through specific projects. While shifting social norms is a complex and long-term endeavour, there is a growing body of evidence on the application of behavioural economics and psychology to shift norms and attitudes to financial capability, including studies from the Behavioural Insights Unit, the FCA and the ABI. The Strategy's Action Groups will provide forums to share research insights and align messages, with a potential focus on savings.

Evidence and evaluation

Following supportive consultation feedback endorsing the role of the Money Advice Service as a thought leader in the area of evidence and evaluation, the Money Advice Service has collaborated with the Personal Finance Research Centre (PFRC) at the University of Bristol to develop and launch a financial capability evidence hub. The new hub brings together in one place the latest research to help share learning on what works – and doesn't – in improving people's financial capability. Key insights from this research are presented in a concise and accessible format for funders and practitioners. The hub has been designed to support organisations to increase the positive impact their programmes generate, and will be developed further in future. It is available at fincap.org.uk

The Money Advice Service has also continued to develop a common evaluation toolkit to help support funders and providers of financial capability interventions measure the impact of their programmes in a more consistent and robust way. The toolkit involves a set of outcome frameworks, developed in partnership with a number of expert organisations, amongst other resources, and will be piloted with 15 – 20 stakeholders across the UK in 2015.

Progress in devolved nations

The Northern Ireland Executive and the Welsh Government have their own Financial Capability Strategies, whereas the Scottish Government's approach to financial capability is set out in the Child Poverty Strategy for Scotland. The UK Strategy will link into these existing plans.

Financial capability is embedded in the curriculum in all three countries, with a focus on improving money management skills for young people. The Money Advice Service is working to pilot the evaluation toolkit, parenting programmes and debt prevention programmes with a range of partners in all three devolved administrations.

Next steps

In order to finalise the Strategy for Summer 2015, we will set up the Financial Capability Board and its supporting Secretariat, and we will task Action Groups and devolved Steering Groups to develop detailed delivery plans. We will pilot the Evaluation Toolkit from Spring 2015, and continue to develop the online evidence hub. Once the Strategy moves to its implementation phase, the Board, supported by the Secretariat, will monitor implementation, ensuring that key milestones are met and evaluation is ongoing.

Contents

Section 1: Aim of the Strategy	10
Section 2: Sector Roles and Governance	15
Section 3: Changes to the Strategy Post-Consultation	20
Section 4: Progress against Priorities for Action	28
Children and Young People	30
Working Age People (preparing for later life)	33
Older People in Retirement	37
People with Financial Difficulties	40
Ease and Accessibility	43
Influencing Social Norms	46
Evidence and Evaluation	48
Section 5: Progress in Devolved Nations	51
Section 6: Next Steps	59
Acknowledgements	62
Appendix 1: Consultation Responses	64
Appendix 2: The Evolution of Financial Capability in the UK	78
Appendix 3: Financial Capability Concepts and Models	81
Appendix 4: Consolidating the Previous Financial Capability Models and Concepts	84
Appendix 5: Mapping the Financial Capability Landscape	87

Section 1

Aim of the Strategy



Section 1

Aim of the Strategy

1.1 About this document

This document is the formal response to the consultation that was launched in September 2014. It sets out:

- progress in developing the Strategy in response to the feedback received,
- an update on the initiatives to enhance financial capability that have been launched since September or are about to be launched,
- how the Strategy will be developed and implemented through a ‘collective impact’ model of governance, bringing together partners across the UK,
- how we can ensure initiatives and interventions achieve the best outcomes through enhanced use of evidence and evaluation.

This document will provide the basis on which we will work with partners over the next few months, to develop a final Strategy and implementation plan, for publication in Summer 2015.

1.2 Why is this Strategy needed?

Financial capability gives people the power to make the most of their money and improve their lives. The current financial capability of the UK is low. As set out in the draft Strategy document, “Financial capability for the UK: The Draft Strategy”, millions of people in the UK are struggling to make the most of their money; to budget effectively, plan for the future and make informed decisions. We know from the Money Advice Service’s own Financial Capability Survey that 50% of people don’t make a personal budget and 48% of people reported they were concerned about their finances.¹ In addition, nearly two-thirds (63%) of those of working age, equating to 25 million adults, cannot cover one month’s post-tax income from their savings.² This low capability leaves a huge part of the population without the financial resilience to deal with unexpected life events such as redundancy, bereavement, divorce or other major crises.

The aim of the Strategy is to help people to improve their financial capability, to enable them to have the best possible financial wellbeing, both now and in the future. This means addressing all the factors that influence people’s behaviour around money – their skills and knowledge, their attitudes towards money, their motivation to take action, and the accessibility of financial services.

“Saving to build resilience and effective money management are key steps towards helping avoid debt caused by income shocks.”

Money Advice Trust, Consultation Response (2014)

1. The Money Advice Service, 2013/14. *Financial Capability Tracker Survey* - The Financial Capability Tracker is a survey of UK adults aged 18+ conducted online and face-to-face for the Money Advice Service by Ipsos MORI. Data weighted to be representative of the 18+ population by age, gender, region, internet usage. 2013-4 figures based on 9,309 interviews conducted in four quarterly waves between 1st August 2013 and 12th May 2014.

2. GfK NOP Ltd, 2014. *Financial Research Survey (FRS)*, 6 months ending August 2014 (24,818 adults aged 18-65 interviewed).

1.3 What we are looking to achieve with the Strategy

Our aspiration over the next 10 years is to shift behaviour so that:

- more people manage their money well.
- more people plan ahead and prepare for significant changes in their circumstances whether this is the birth of child, a new job or the loss of a major source of income.
- more people understand their options and take positive action to deal with financial difficulties and avoid debt problems.

These are bold aspirations. The kind of social change we are seeking will take time and a co-ordinated and sustained effort. We do not expect to see the core measures of financial capability change quickly. In the short term, the Financial Capability Survey will help us to identify areas where behaviour is particularly poor, test interventions to tackle those specific issues, and measure the success of the Strategy by the positive results of those interventions.

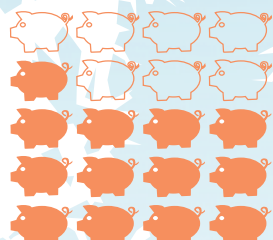
In line with the consultation feedback, the timeframe for the Strategy will be set at ten years, with a five year review point. Five-year goals will be defined for each priority area of the Strategy and performance will be assessed against these goals.

Why we need a Financial Capability Strategy for the UK

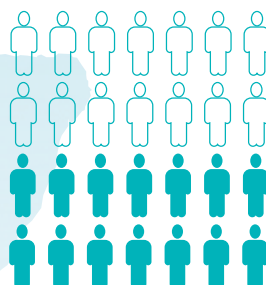
1234567

Many attitudes and habitual behaviours towards money are **set by the age of seven**.

(Money Advice Service, 2013)



Nearly **2/3** of working age people do not have enough savings to cover one month's post-tax income
(GfK NOP, 2014)



Around **half** of people aged **25-64** say they find it a struggle to keep up with bills
(Money Advice Service, 2014)



4.78 million people aged **65+** (approx. 44%) have never been online
(ONS, 2014)



Almost **50% of adults** in the UK have numeracy skills below that needed to achieve the lowest grade at GCSE
(Money Advice Service, 2014)

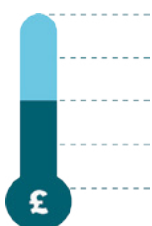
The Financial Capability Strategy will help people to:

- 1 Manage money well day to day
- 2 Prepare for and manage life events
- 3 Deal with periods of financial difficulty

31% of **18-24** year olds in the UK are over-indebted
(Money Advice Service, 2013)



An estimated **12 million (40%) working age people** in the UK face inadequate incomes in retirement
(DWP, 2014)



84% of UK adults do not read full terms and conditions when taking out financial products
(Money Advice Service, 2014)



37% of people aged **75+** renew their home contents insurance with their current provider without checking the quote
(Money Advice Service, 2014)



Only 17% of over-indebted people seek advice, most of whom wait more than a year before coming forward for help
(Money Advice Service, 2013)



1.4 Draft Strategy document

In 2013 the Money Advice Service released a ‘call for evidence’ leading to the publication of a draft Strategy in 2014.

A detailed analysis of responses to the draft Strategy is provided in Appendix 1 of this document. The consultation feedback has led to a number of changes to the draft, set out throughout the remainder of this document.

1.5 Major financial capability developments since September 2014

Since we published the draft Strategy, there have been a number of major developments in the sector which have been considered in its further development.

The Financial Inclusion Commission is calling on political parties to recognise the challenge of financial exclusion and to “commit to taking preventive action, so as to help build a more robust economy and resilient society”.³ The report includes specific recommendations on improving the inclusivity of financial products and services. Additionally, the Commission calls for clear government leadership on financial inclusion and financial capability, and highlights the Financial Capability Strategy as an encouraging step towards developing a “robust, outcomes-based evaluation of how to improve financial capability”. The Commission published its recommendations in March 2015.⁴

The Archbishop of Canterbury’s Task Group on Responsible Credit and Savings has been developing a number of initiatives, including a savings club and a financial education programme for younger children. #TOYOURCREDIT is the Archbishop of Canterbury’s initiative to create a fairer financial system, harnessing the national and grassroots resources of the Church of England, to support the growth of community finance, and debt and money advice services.⁵

As part of their series of occasional papers the FCA published a paper on ‘Consumer Vulnerability’ on 23rd February 2015.⁶ The BBA is facilitating the ‘establishment of an industry-wide Vulnerability Taskforce’ to address the urgent questions and service gaps identified in the FCA occasional paper. Terms of reference are currently being established and it is expected that the Taskforce will commence its work in April and make final recommendations to financial services in the autumn. We will draw on their analysis and work in the final Strategy and have included more information on our approach to vulnerability in Section 4.

The Savings and Investment Policy Project (TSIP) is a grouping of companies from across the financial services industry, with participation from consumer groups. It published its first set of recommendations in March 2015, aimed at creating a culture of saving through rebuilding consumer confidence and trust.⁷

These developments are very much consistent with the direction of the Financial Capability Strategy and we will be considering how the Strategy can best align with these developments in the months ahead.

1.6 The financial capability journey begins - next steps

Following the publication of this document we will be developing the final Financial Capability Strategy and action plan.

We will be setting up the delivery mechanisms with the Money Advice Service providing the policy and planning capability, along with some specific delivery activities.

The Financial Capability Survey results will be available alongside the publication of the final Strategy document. This survey will be used to inform the future direction of the Strategy.

3. Financial Inclusion Commission, 2015. *Prioritising Financial Inclusion: Creating a robust economy and resilient society*.

4. Financial Inclusion Commission, 2015. *Financial Inclusion: Improving the financial health of the nation*, March 2015.

http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf.

5. Archbishop of Canterbury initiative, 2014. <http://www.toyourcredit.org.uk/>. Date accessed 10 March 2015.

6. Financial Conduct Authority, 2015. *Occasional Paper No.8: Consumer Vulnerability*, February 2015.

<http://www.fca.org.uk/news/occasional-paper-no-8>.

7. TSIP, 2015. *Saving our Financial Future*, March 2015.

<http://www.tisa.uk.com/downloads/TSIP%20Policy%20Proposal%20Report%202015.PDF>

Section 2

Sector Roles and Governance



Section 2

Sector Roles and Governance

Respondents to the consultation were in agreement that the success of the Strategy will be dependent on the degree of ownership and commitment that can be secured across the key organisations in all sectors. They also asked for more clarity on the governance of the Strategy. This section sets out how that commitment and leadership will be built, and clarifies the proposed governance structure, including:

- the role of the Money Advice Service and other bodies,
- the new Financial Capability Board and its supporting groups, and
- the approach to developing and implementing the Strategy in Northern Ireland, Scotland and Wales.

2.1 Partnership principles

The consultation responses identified a number of underlying principles that respondents felt should be shared by all participants to ensure we are successful in improving financial capability; these are set out as partnership principles for the Strategy. All participants should be:

<i>Passionate</i>	about the need to address financial capability
<i>Collaborative</i>	in the approach taken. We will need to share our knowledge, pool our resources and strive not to duplicate effort
<i>Impact-focused</i>	in all we do, standardising measurement where possible and refining interventions
<i>Participative</i>	actively involved in the delivery of the Strategy
<i>Influential</i>	in the sector, and in people's lives.

We ask all current and potential partners in the Strategy to adopt these principles as core values.

2.2 Collective impact

In line with the partnership principles, the governance of the Strategy will be based on the concept of collective impact.

“Collective Impact” is where large-scale social change comes from cross-sector co-ordination, not isolated interventions of individual organisations.⁸

The component elements of collective impact are:

1. a shared mission between private/public/third sector
2. a set of targets that the partners commit to
3. clearly defined roles and responsibilities
4. communication between all parties
5. a ‘backbone’ or ‘anchor’ organisation to focus on the partnership and make it work

8. John Kania & Mark Kramer, Stanford Social Innovation Review, 2011. *Collective Impact*, Winter 2011.
http://www.ssireview.org/issue/winter_2011

This approach emphasises the need for co-ordination and the requirement for all organisations in the financial capability sector to work together towards a common goal. It also highlights that all organisations must be committed and participative in order to deliver the Strategy.

To support the concept of collective impact, we have undertaken an exercise to understand the landscape of the Financial Capability sector and how the various organisations and roles interact. As discussed further below, there are more than 250 organisations directly involved in the diverse and complex UK financial capability sector, including policymakers, providers and researchers.

2.3 Roles within the UK Financial Capability Strategy

2.3.1 The Roles of Stakeholders

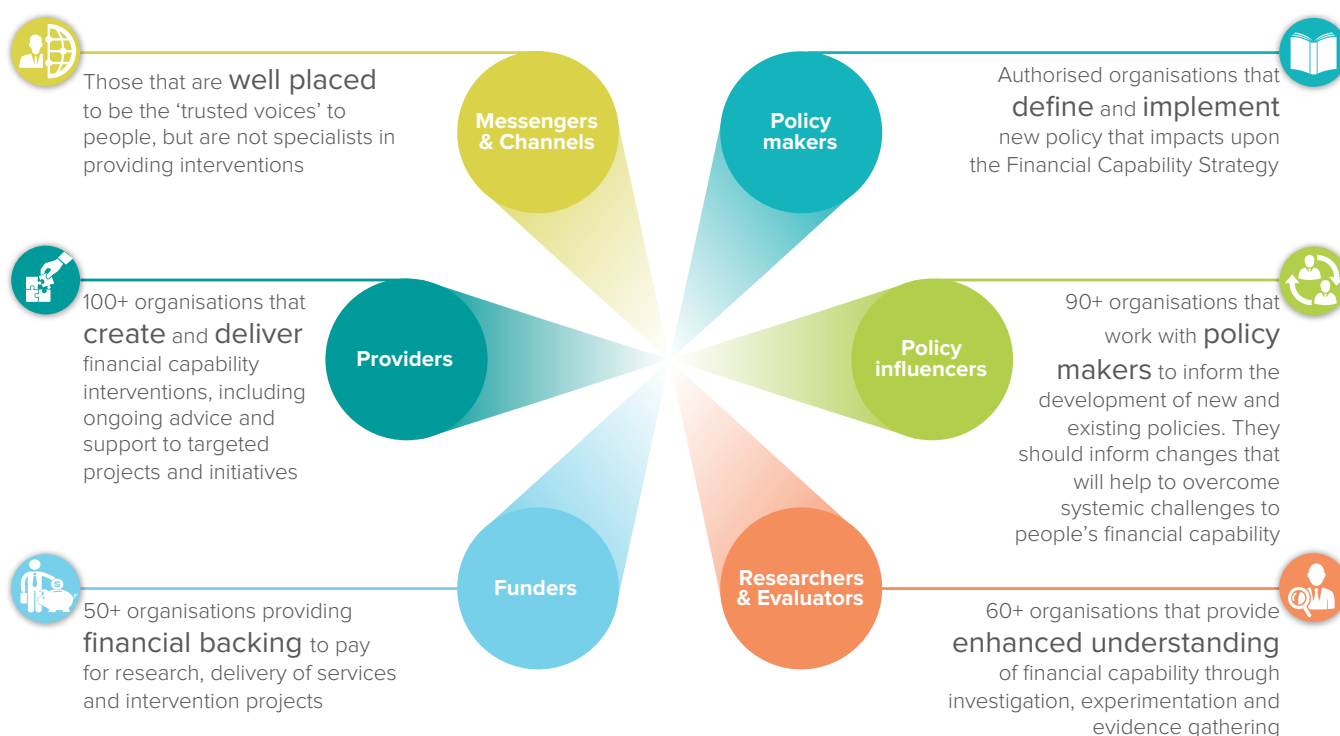
Whilst the development of this Strategy has been led by the Money Advice Service, it is not solely the Money Advice Service's Strategy. It is a UK-wide Strategy for Financial Capability, and its purpose is to support all participants by giving clear direction and co-ordination and to help implement targeted action plans.

The draft Strategy was developed in collaboration with a wide range of stakeholders within the sector. Continuing this shared-ownership approach is critical to achieving the aspirations of the Strategy, and therefore it features prominently within the governance model.

We have defined a number of key roles within the financial capability landscape to support the concept of collective impact. Organisations often carry out more than one of those roles. The roles are shown in Figure 2.1.

More detail on how we have mapped the financial capability landscape is available in Appendix 5.

Figure 2.1: Financial Capability Sector Roles



2.3.2 The Role of the Money Advice Service

To date, the Money Advice Service has led on the development of the Strategy and co-ordinated input from other organisations via workshops, consultation events, working groups and the Strategy consultation process. In May 2014, the Government appointed Christine Farnish to conduct an independent review of the Money Advice Service. The review supported the role of the Money Advice Service in co-ordinating and leading the Financial Capability Strategy.

The future role of the Money Advice Service in relation to the Financial Capability Strategy will include:

- contributing strategic and thought leadership, alongside others,
- hosting and funding the Financial Capability Strategy Secretariat, to co-ordinate the implementation of the Strategy,
- measuring financial capability and the progress of the Strategy through its annual Financial Capability Survey,
- co-ordinating debt advice and prevention,
- co-ordinating the development of a more sustainable model for financial education in collaboration with others,
- ensuring that initiatives and interventions are as effective as possible through enhanced use of evidence and evaluation.

The Money Advice Service will also put in place selected initiatives and interventions identified in the Strategy, but will focus resources on people who are less well served by other organisations in the sector.

2.4 The Financial Capability Board and Action Groups

Governance for the Strategy needs to be configured and delivered in a way that provides direction, engages the delivery organisations and ensures progress is being made in key areas.

The previous Steering Group was of great value in driving policy and steering the development of the Strategy, and we thank all of its members and the supporting Working Groups for their significant contributions. As we are entering a new phase of the programme, we are proposing to set up a Financial Capability Board, to drive the development of the finalised Strategy and implementation plan, and then to lead the implementation of the Strategy. The Financial Capability Board will be responsible for delivering the Strategy, prioritising activities and ensuring the quality of the interventions.

Board members will be visible leaders and champions within the sector. Their role will include delivering strategic outcomes and influencing other organisations to adopt the Strategy and actively support its implementation. In line with this enhanced role, the Financial Capability Board will need senior individuals with significant commitment and influence in relation to financial capability. The Board will be chaired initially by the Chair of the Money Advice Service.

To support the Financial Capability Board in the next phase of development of the Strategy and its subsequent implementation, we will be setting up Action Groups (where necessary) to take forward strategy development and implementation. We will also be strengthening links to existing groups that can help us take forward the Strategy.

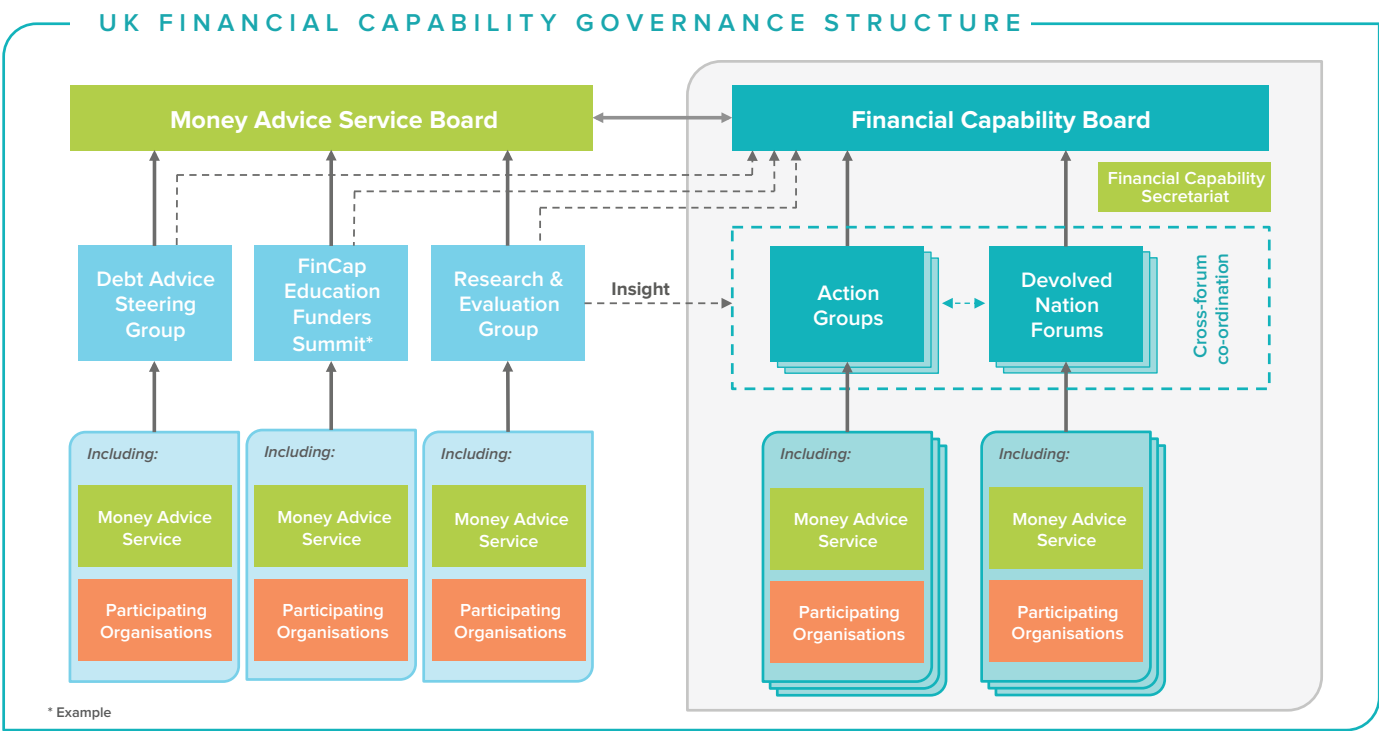
In addition, we will be asking the Debt Advice Steering Group to contribute to the Strategy. This will be set up by the Money Advice Service following a recommendation of the Independent Review. The Money Advice Service is also working to establish a series of Financial Education Funders' Summits, which are discussed in more detail in Section 4. This group will also be asked to feed into the overall Strategy.

The Steering Groups for the Strategy in Northern Ireland, Scotland and Wales are expected to draw on the membership of the existing Money Advice Service stakeholder forums.

Although the Strategy will be UK-wide, it aims to be relevant to all parts of the UK. It will be developed with partners in the devolved administrations, to be flexible enough to fit with the different policy contexts, with specific action plans for devolved nations.

The full governance structure that is proposed is illustrated in Figure 2.2.

Figure 2.2: Governance Structure for the UK Financial Capability Strategy



Section 3

Changes to the Strategy Post-Consultation



Section 3

Changes to the Strategy Post-Consultation

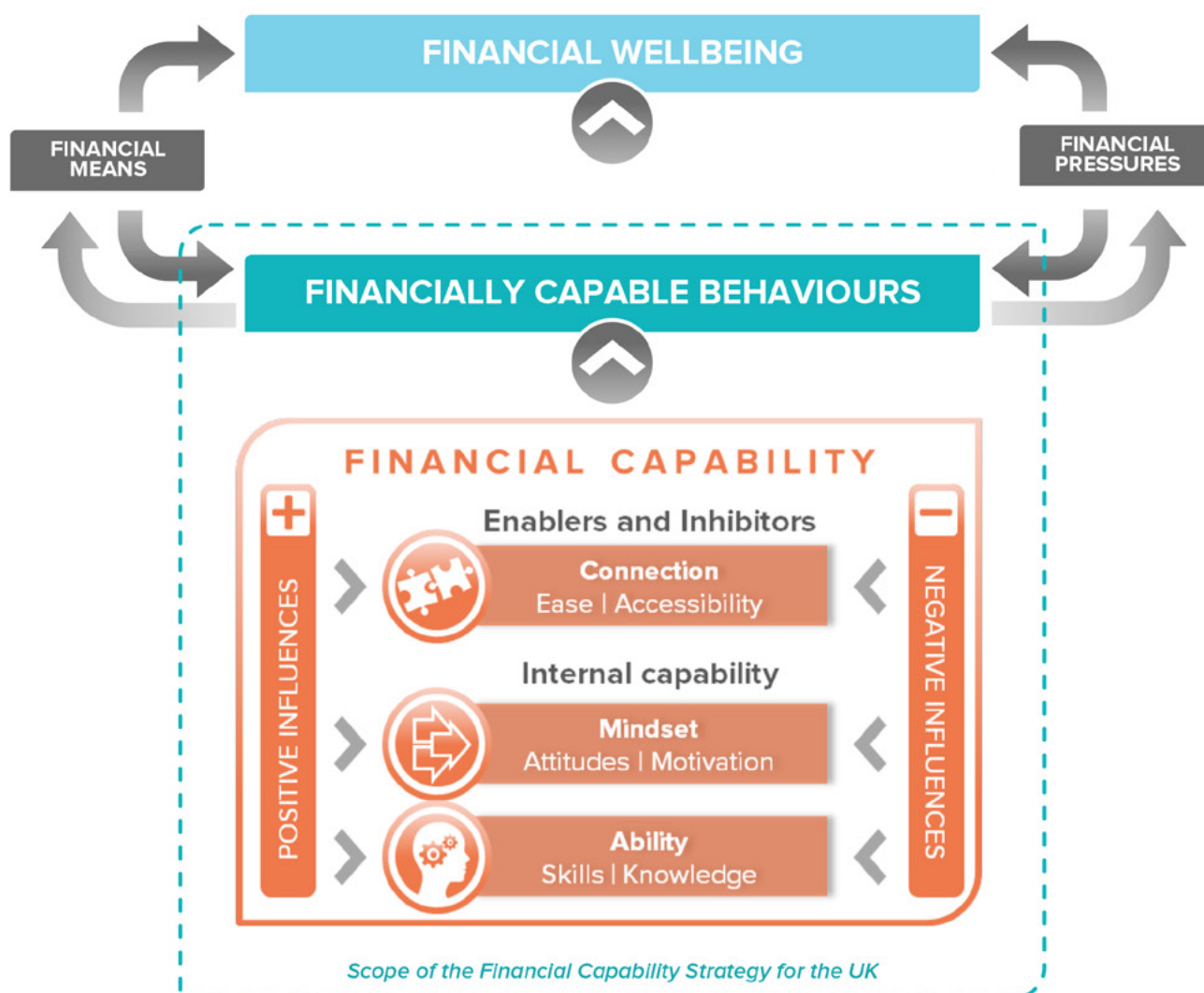
This section describes:

- changes to the definitions and models of financial capability and behaviours
- the future use of the Wellbeing Staircase
- the linkages between the models, frameworks and priorities for action
- how we intend to include the needs of vulnerable people

3.1 Changes and updates to the definitions and models of financial capability

The feedback relating to the Financial Capability Framework (figure 3.1) set out in the draft Strategy has been very positive, both in terms of the framework itself and also its relationship to financially capable behaviours, financial means and pressures, and ultimately financial wellbeing.

Figure 3.1: The Financial Capability Framework in its wider context



Financial means are the financial resources that an individual (or household) have at their disposal and which they use to cover their everyday financial costs, as well as cope with unexpected or expected larger expenses. These include: income, savings, other assets, and affordable credit products.

Financial pressures refers to the financial responsibilities that an individual (or household) has to meet using their financial means (further detail in Appendix 3).

Financial capability definition

Consultation respondents asked for a specific definition of financial capability to ensure all those involved in the Financial Capability Strategy have the same understanding. The following definition includes the key components of the framework model, and is in line with the OECD's definition.

“Financial capability is a person’s ability to manage money well, both day to day and through significant life events, and to handle periods of financial difficulty. It is driven by personal skills, knowledge, attitudes and motivation, and made possible by an inclusive mainstream financial system and supportive social environment. Financial capability helps people achieve the best possible financial wellbeing.”

The relationship between financial capability and financial inclusion

We have also been asked to clarify the relationship between financial capability and financial inclusion. The Terms of Reference for the recently established Financial Inclusion Commission include the following description of financial inclusion:

“Financial Inclusion means belonging to a modern mainstream financial system that is fit-for-purpose for everyone, regardless of their income.”⁹

Using this definition, financial inclusion corresponds to the ‘connection’ component of financial capability. This includes the ease and accessibility of financial products and services, as well as the positive and negative influences that can encourage or discourage individuals in engaging with the financial system.

Clarifying the role of the financial wellbeing staircase

The draft Strategy introduced the concept of a financial wellbeing ‘staircase’. This was intended to demonstrate the ultimate aim of the Strategy, to contribute to improved financial wellbeing through building financial capability (see Figure 3.2).

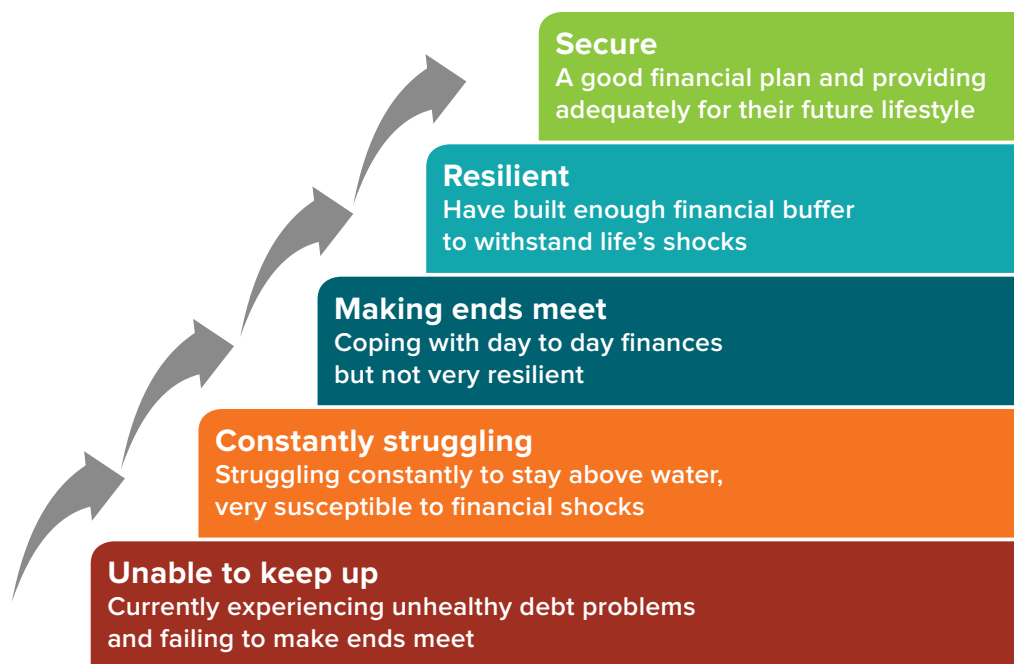
Whilst participants agreed with this aim, opinions were split on the effectiveness of the model. Those in favour liked the clarity of the message. Others felt that it was overly simplistic and did not reflect the complexity of real-life situations.

“We agree that financial wellbeing is the bottom line. How much money you have matters, but how comfortable you are in managing your money...is also very important”

Investment management Association, Consultation Response (2014)

9. Financial Inclusion Commission, 2015. *Terms of Reference*.
http://www.financialinclusioncommission.org.uk/pdfs/terms_of_reference.pdf.

Figure 3.2: Financial Wellbeing Staircase



The wellbeing staircase has been useful as a communications tool, particularly for audiences new to financial capability and therefore we intend to continue to use it for that purpose. It will not, however, be used as part of the monitoring and evaluation of the Strategy, which will be focussed on measuring improvements in financial capability.

The revised model of financially capable behaviours

The concept of financially capable behaviours was well received within the consultation process, and particularly how these relate to financial capability, financial wellbeing, and financial means and pressures. The draft Strategy proposed four domains of financial behaviour ('Prepare for life ahead', 'Build resilience', 'Manage money well day to day' and 'Tackle problem debt').

A number of organisations provided specific suggestions for improvements, including:

- Incorporating 'Build resilience' into 'Manage money well day to day', to emphasise that building resilience is key to being able to continue to manage money well day to day in the future, particularly in the event of 'financial shocks'.
- Including the concept of life events, as a way to help people 'plan for life ahead', and to expand the idea of planning to include short and medium term events and goals, such as job loss or planning for a family.
- Amending 'Tackle problem debt' to 'Dealing with financial difficulties' to widen the focus, including a broader range of financial difficulties.

These changes are reflected in the revised model below:

- **Managing money well day to day** (including building resilience) – this includes setting and sticking to a budget, keeping track of income and expenditure, maximising income, paying bills in full and on time, and shopping around for the best deals. It also includes building resilience, so that you have a savings buffer for unexpected events, saving for short to medium term planned expenses, and taking out appropriate insurance or other forms of protection.
- **Preparing for and managing life events** (including both planned and unplanned events) – a life event is one that significantly alters a person's means and/or pressures, whether planned (for example, marriage), or unplanned (such as illness or redundancy). Life events may also change the norms and social pressures that people experience. They may make people so busy that they struggle to put into place good financial behaviours, or they may require people to have a different set of skills and knowledge in order to navigate new financial decisions they have to make. Therefore life events can significantly affect a person's financial capability.

An example of financially capable behaviours in this area includes saving for longer-term planned events and life goals, such as making adequate provision for later life (including saving into a pension).

- **Dealing with financial difficulties** (including tackling debt problems) – this now includes two distinct types of financial difficulty.

The first relates to people who are unable, or at significant risk of becoming unable, to repay debt. Indicators of this include missed payments on secured or unsecured credit or household bills, or a perception that the cost of payments constitutes a 'heavy burden'.¹⁰

The second type relates to the overall financial wellbeing of the individual and whether this is sustainable in the longer term. Indicators of this type of financial difficulty include below-average living standards and lack of liquidity.¹¹ This type of financial difficulty does not necessarily mean that a person is at significant risk of becoming unable to repay debt. For example, consultation feedback has highlighted the issue of older people choosing to go without basics, such as food and domestic heating, rather than take on any form of debt.

Examples of financially capable behaviours relating to this domain include identifying the situation, seeking professional help and advice and taking steps to reduce debt problems.

10. European Commission, Directorate-General for Employment, Social Affairs and Equal Opportunities, 2008. *Towards a common European definition of over-indebtedness*. <http://ec.europa.eu/social/BlobServlet?docId=5093&langId=en>.

11. Oxera, 2004. *Are UK households over-indebted? Report prepared for: APACS, BBA, FLA and CCA*.

<http://www.oxera.com/Oxera/media/Oxera/downloads/reports/Are-UK-households-overindebted.pdf?ext=.pdf>

3.2 Developing the models, frameworks and priorities for action

In addition to commenting on the individual models and frameworks, consultation respondents asked for more clarity on how the various models and priorities related to each other. They noted in particular the lack of an apparent link between the priority areas for action and the preceding models introducing financial capability and financially capable behaviour domains.

Many respondents also commented that the priority area ‘Working age people who are preparing for later life’ placed too much emphasis on planning for retirement, and did not address the everyday financial capability needs of this group.

We have therefore developed an overarching Financial Capability Strategy Framework, which draws together all aspects of the Strategy into a single model, to illustrate more clearly how the components are connected.

The Framework covers all age groups, organised into three life stages: (1) children and young people, (2) working age people, and (3) older people in retirement. These form the pillars of the Framework.

The Behavioural Domains, described within Section 3.1, form three horizontals which span the Life Stage pillars. This represents the need for financial capability to be developed across all domains in all stages of life.

The combination of the life stage pillars with the Behavioural Domain horizontals creates nine areas of intersection, e.g. Working Age People: Managing money well day to day. In each of the nine areas, financial behaviour is driven by attitudes, motivations, abilities, external influences and the accessibility of the financial system. We have therefore embedded the Financial Capability Framework within each of these areas of intersection. (See Figure 3.3 for the new Financial Capability Strategy Framework.)

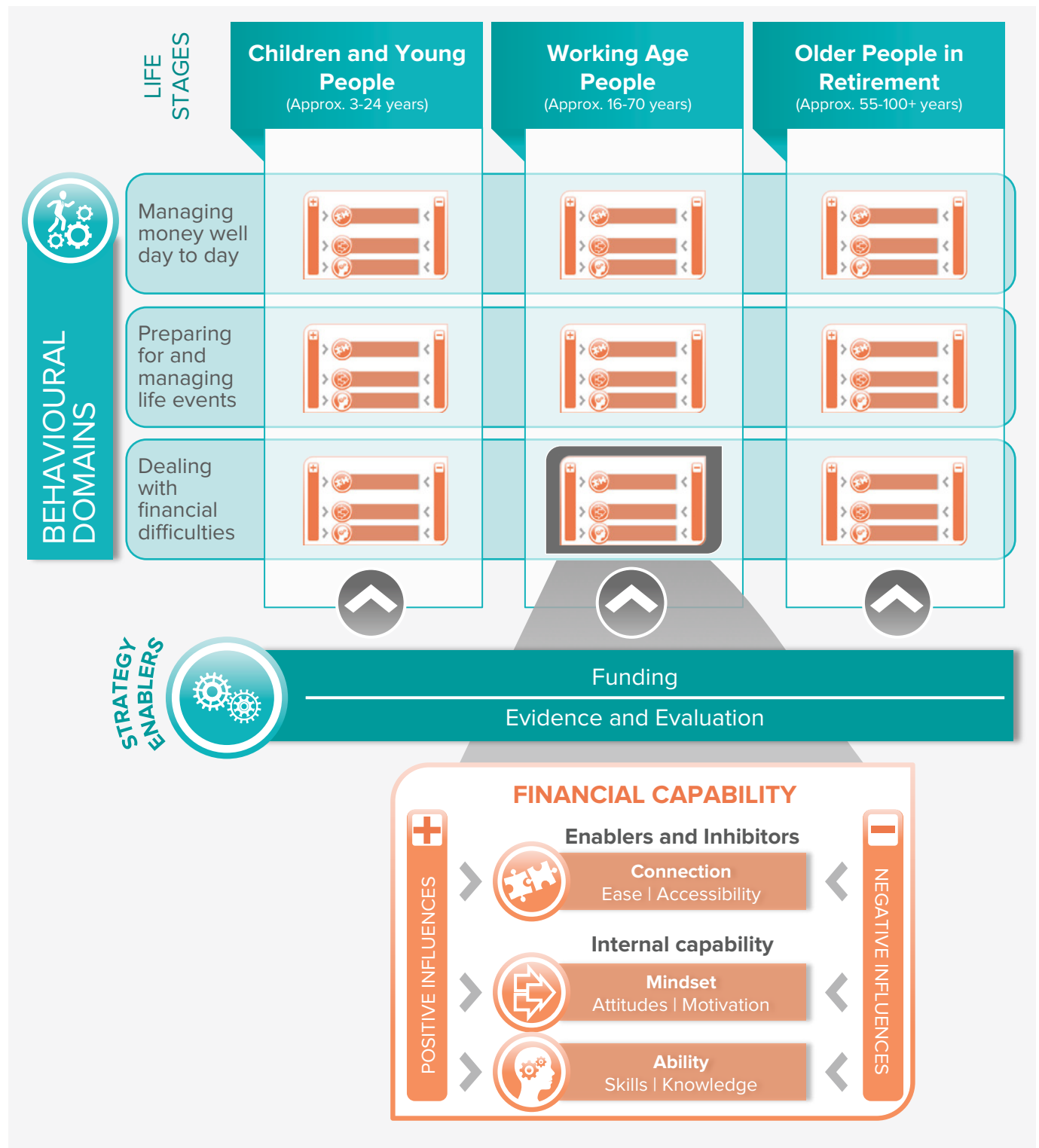
Further detail on the consolidation of the Financial Capability models and concepts is in Appendix 4.

The Strategy Framework will be used to map priority areas for action in the final Strategy. The Money Advice Service Financial Capability Survey has also been aligned with this framework to ensure consistency of approach.

“There is some evidence from qualitative research that the desire to be free from worry is the biggest motivator to saving. However, a major barrier to saving is unwillingness to compromise on current living standards, and a belief that saving is futile unless a substantial amount can be saved.”

Ipsos MORI (2014) Public Perceptions of the NHS and Social Care Tracker Survey, Spring 2013 wave

Figure 3.3: The Financial Capability Strategy Framework



3.3 Addressing vulnerability

Respondents to the consultation asked how the Strategy would address the needs of vulnerable individuals. In February 2015, the FCA published an Occasional Paper, titled 'Consumer Vulnerability', which included the following definition:

*"A vulnerable consumer is someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care."*¹²

The report makes the point that any individual can become vulnerable in relation to their financial dealings, at any point in their life.

The Action Groups, devolved nation Steering Groups, Debt Advisory Steering Group and Funders' Summits will therefore be asked to understand and address any specific financial capability challenges faced by vulnerable individuals, in relation to their areas of responsibility. This analysis will be supported by the Financial Capability Strategy Secretariat. It will be informed by stakeholder input, the FCA's work on consumer vulnerability and other published work on vulnerable consumers, including the Extra Costs Commission's report on the extra costs faced by disabled people.¹³

Responsibility for taking account of vulnerability will be formally incorporated in the Terms of Reference and members of the Action Groups will be responsible for leadership of the subsequent actions.

"1.8 million or 1 in 6 pensioners live in poverty, and another 1.2 million are at risk of poverty, and the Strategy provides a significant opportunity to reduce these figures."

Toynbee Hall, Consultation Response (2014)

12. Financial Conduct Authority, 2015. *Occasional Paper No.8: Consumer Vulnerability*, February 2015. <http://www.fca.org.uk/news/occasional-paper-no-8>.

13. Extra Costs Commission, 2015. *Driving down the extra costs disabled people face [Interim Report]*; March 2015. <http://www.scope.org.uk/Scope/media/Interim-report/Interim-report.pdf>.

Section 4

Progress against Priorities for Acton



Section 4

Progress against Priorities for Action

The UK Strategy is being developed in a dynamic and fast-moving environment. There is a large number of organisations working to actively support, advise and empower the UK population in developing its financial capability.

This section contains updates on progress made since the draft Strategy document was published in September 2014, against the original seven 'Priorities for action', and the related recommendations.

The original seven 'Priorities for action' were:

- Children and young people
- Preparing for later life
- Older people in retirement
- People with financial difficulties
- Ease and accessibility of financial products and services
- Influencing social norms
- Evidence and evaluation

4.1 Children & Young People

Recommended Actions from the Draft Strategy

1. Do more to equip and motivate parents and carers to teach their children about money.
 - Identify, agree and extend use of **simple, key messages** about money for children of different ages.
 - Work with financial education providers to design and promote opportunities for parents and children to build on financial education in schools and **learn more about money at home**.
 - Work with organisations that provide early years care and family learning opportunities to develop and extend the availability of programmes that encourage parents and carers to **engage with their children around money from an early age**.
2. Ensure that all children, regardless of their family situation, have the opportunity to learn about money outside the home.
 - Work with organisations that teach and support children, young people and parents to **embed financial capability within their programmes**.
 - The Government should consider the case for **adding financial education to the primary curriculum in England**.
3. Financial service and education providers should **increase opportunities for children and young people to manage their own money**. For example, providing banking products for children and young people with modern product features so that children can put their learning into practice.
4. Focused research to identify the most effective ways to **help young people feel proud to be good with money**.

Responses to the consultation

Responses were very supportive of the need for more attention and investment to be focused on children and young people and agreed that provision needed to be available at home, at school and in other settings. Some felt that specific actions were needed for young people about to face financial independence. Others wanted to see actions supporting the effective implementation of the national curriculum in England. Some respondents from devolved nations wanted to see specific actions that related to the local policy context. Many delivery organisations stated the need for a clear funding model to be in place to ensure the sustainability of the sector.

Examples of developments across the sector

In line with the Independent Review, the Money Advice Service will take on a strategic co-ordination and support role in embedding financial education in schools.

Funding: In order to ensure all children and young people have the opportunity to experience managing their money, a clear and sustainable funding model is needed which encourages innovation of provision, supports rigorous evaluation and scales up effective practice. The Money Advice Service will run a series of Funders' Summits with all who are currently, or are considering, funding and commissioning financial capability interventions to help them achieve more impact. The first Summit will take place in April, and focus on financial services' funding for children and young people.

“The inclusion of financial education in the curriculum for the first time is only the tip of the iceberg.”

ICAEW, Consultation Response (2014)

Parenting pilots for children: The Money Advice Service will pilot an initiative to provide evidence on the impact and cost effectiveness of using parents and carers to improve child financial capability. These pilots will test the effectiveness of integrating financial capability content into existing parenting interventions. The pilots will begin in autumn 2015, and run for one year. The evidence generated will help organisations understand simple and effective ways to embed financial capability within their programmes, helping parents and carers engage with their children around money from an early age.

Following the publication of *'Supporting young savers: the case for savings clubs in schools'* the **Archbishop of Canterbury's Task Group on Responsible Credit and Savings** is piloting the LifeSavers programme in a small number of primary schools across the country, in partnership with pfeg/Young Enterprise. The vision is to establish a national financial education programme with school-based savings clubs administered by credit unions, supported by values-based financial education resources for teachers, and parental involvement. It will test whether a holistic approach to financial education is effective and whether this model is also a cost-effective way of credit unions to expand their reach into local communities.¹⁴ The Money Advice Service is discussing with them the potential use of the evaluation toolkit to measure the impact of these pilots.

Discussions have taken place with **Ofsted** regarding their plans to look at how schools are responding to the new English national curriculum requirements for financial capability. The purpose is to understand the impact of the changes and share good practice.

Ifs University College will open registration for the first postgraduate teaching qualification in financial capability in April. By the end of the programme, students will have developed a strong understanding of financial capability subject content and approaches for the successful delivery of financial education to school/college cohorts at Key Stages 3, 4 and 5 in schools and FE Colleges, together with equivalent qualifications within the Lifelong Learning provision. The first cohort of teachers will start in October 2015 with teachers likely to qualify in September 2016.

Action for Children published *'Paying the price: Can we help the most vulnerable young people avoid unmanageable debt?'* which recommended targeted work to reach young people who were unlikely to find their parents or teachers trusted messengers for money advice. It also recommended that the design of interventions should include young people's opinion of what financial education they need.¹⁵

Peer pilots for young people: Building on the research findings of *'It's time to talk: young people and money regrets'*, the Money Advice Service – in partnership with a debt advice partner – will commence a pilot aimed at young people at risk of over-indebtedness from Summer 2015.¹⁶ The pilot will test the effectiveness of using young people who have successfully used debt advice services as 'messengers' to young people at risk of over-indebtedness. The evidence generated aims to provide organisations with evidence on an alternative delivery model other than schools or parents.

14. The Children's Society, 2014. *Supporting young savers: The case for savings clubs in schools*. November 2014. <http://www.childrenssociety.org.uk/sites/default/files/Supporting%20young%20savers-The%20case%20for%20savings%20clubs%20in%20schools.pdf>.

15. Action for Children, 2014. *Paying the price: Can we help the most vulnerable people avoid unmanageable debt?* <http://www.actionforchildren.org.uk/media/10045609/paying-the-price-can-we-help-the-most-vulnerable-young-people-avoid-unmanageable-debt.pdf>

16. Money Advice Service, 2014. *It's time to talk: young people and money regrets*. September 2014. https://www.moneyadvice.service.org.uk/files/mas_money_regrets_online.pdf.

Halifax Bank launched a new youth online banking service for 11-15 year olds that aims to help children learn as they bank, providing tailored financial education and online safety advice. The objective is to encourage active financial management from an early age.

Social norms: There is good evidence to suggest that an effective way to help young people feel proud to be good with money, is to make good money management a 'social norm'. In March, the Money Advice Service delivered a campaign to young people publicising the results of its annual survey of the financial capability of 15-17 year olds. This research showed most 15-17 year olds behaved responsibly with their money and were more likely to save than the adult population.¹⁷

“To become financially capable, children need to observe, talk about and experience money on a regular basis.”

Habit formation and learning in young children, Money Advice Service (2013)

Next Steps

- The Money Advice Service will continue to map initiatives, identify gaps in provision and funding, and share effective practice, using events such as the planned Funders' Summits.
- Conduct a cross-government engagement programme in each of the nations of the UK following this year's General Election, with a particular focus on education departments.
- The Money Advice Service will focus on developing the parenting pilots and delivering the first Funders' Summit in advance of the publication of the final Strategy. It will develop the peer pilots following the publication of the Strategy.
- Development of the children and young people's, parents' and teachers' outcome framework and measurement tools (see Evidence and Evaluation)

17. Money Advice Service, 2015. *The Financial Capability of 15-17 year olds*, March 2015

4.2 Working Age People (preparing for later life)

Recommended Actions from the Draft Strategy

1. Build on the success of automatic enrolment through:
 - Advice organisations, Government and product providers undertaking co-ordinated research about the most effective ways to **overcome attitudinal and motivational barriers** to long term planning and saving and committing to act on the results.
 - Increasing take-up of financial capability support that focuses on **budgeting and general money management skills** to enable and encourage people to save more for later life.
 - Joint action with the broader pensions industry to develop messaging to **support and then supplement the ‘we’re all in’ campaign for automatic enrolment** from 2018.
2. Build on landscape changes announced in the Budget 2014:
 - In relation to retirement income products and services, product providers will need to **develop their proposition to meet evolving customer needs**.
 - **Support people approaching and transitioning into retirement** so that they can make informed financial choices about their later life, including through the Guidance Guarantee.

Responses to the Consultation

Respondents to the consultation recognised the importance of co-ordinating efforts across the sector to improve budgeting and money management skills and deliver a sharper focus on key life events, including supporting people in planning and transitioning into retirement.

A significant number of respondents challenged the focus of ‘Preparing for later life’, making the case that focussing on pensions alone omits important areas of financial capability for working age adults. Issues highlighted by respondents were:

- The UK Strategy needs to recognise that for some working age adults the priority will be making ends meet rather than preparing for retirement.
- Promoting attitudes and behaviours that support saving and planning for the future, beyond saving for retirement. This could involve planning ahead to manage potential future risks or shocks for themselves and their family. Examples include providing for social care in later life, preparing a will or funeral plan or promoting regular saving to provide a buffer to enable people to increase their control over their own lives.
- Supporting people to navigate changes to the welfare system, in particular through the rollout of Universal Credit.
- Targeted interventions for specific groups whose circumstances create particular barriers to achieving financial capability. Particular client groups highlighted in the consultation were working age adults with mental health problems and people approaching retirement age with little or no savings.

In response to consultation feedback, we will alter this strategic theme from ‘Preparing for Later Life’ to ‘Working Age People,’ to more fully address the drivers of financial wellbeing now and in the years to come.

Examples of developments across the sector

Payday lending. The FCA's price cap rules on payday lenders took effect in January 2015¹⁸. People using payday lenders and other providers of high-cost short-term credit will see the cost of borrowing fall. This should improve responsible lending, though it remains to be seen if, alongside other market changes, this leads to sources of credit drying up for working age adults who are making ends meet, or more affordable lending products will be developed to help people manage short-term income problems.

Universal Credit. Over the next five years, 15 million claims for benefits and tax credits by 11.5 million working age people will be converted to 8 million household claims for Universal Credit.¹⁹ The changes will require claimants to manage a bank account, monthly budgeting and their own payments. These changes may impact on the financial resilience of low income households. Organisations across the financial capability sector can mitigate this by working with claimants before they move over to universal credit, actively signposting throughout the claims process and providing ongoing support for planning and budgeting.

Preparing for pension reforms. From April 2015, over 300,000 individuals a year with defined contribution pension savings will have more options on how and when they access them when they turn 55.²⁰ People preparing for later life will need improved financial capability and support to make informed choices when turning savings into an income to fund retirement and accommodate changing needs. The Money Advice Service has launched an annuities comparison table for the whole of the market and is developing a new directory of financial advisers who provide regulated retirement advice, to dovetail with the Pensionwise guidance programme and form part of a responsive, effective and co-ordinated offer to consumers.²¹ The Money Advice Service and other organisations will also be reviewing the implications of the new annuities buy-back option announced in the March 2015 Budget.

Pensions auto-enrolment. The ongoing process of auto-enrolment is opening up saving for pensions to a wider audience by changing the default to saving. Opt-out rates so far are low. The drive to ensure savers put in sufficient contributions for later life will be balanced against the need to avoid income shocks for people that could lead to higher opt-out of the system. The Money Advice Service has developed a workplace pensions calculator to give individuals clear pounds-and-pence values of contributions from them and their employer.

Paying for social care. The Care Act 2014 reforms social care legislation for England, bringing in new duties for local authorities and creating considerable complexity in planning and paying for long-term care.²² Many people do not understand the responsibilities of individuals to pay for the care they may need in later life and do not currently plan for these unpredictable costs. 60% of people are likely to need social care in later life and one in 10 people will face care costs of over £100,000.²³

“Millions of people in the UK are struggling to manage their money and make provision for the future—at least 17 million adults run out of money before payday.”

Financial capability outcome frameworks, NPC (2014)

18. FCA, 2014. PS14/16: *Detailed rules for the price cap on high-cost short-term credit – Including feedback on CP14/10 and final rules*, November 2014. <http://www.fca.org.uk/news/ps14-16-detailed-rules-on-the-price-cap-on-high-cost-short-term-credit>.

19. DWP, 2010. *Universal Credit: welfare that works*, November 2010.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48897/universal-credit-full-document.pdf.

20. HM Treasury, 2015. Press release: *Pension Wise Unveiled*, January 2015.

<https://www.gov.uk/government/news/pension-wise-unveiled>.

21. Pensionwise, 2015. <https://www.pensionwise.gov.uk/>. Date accessed: 10 March 2015.

22. Separate legislation exists for Scotland and Wales

23. Fairer Care Funding, 2011. *The Report of the Commission on Funding of Care and Support*, July 2011.

<http://webarchive.nationalarchives.gov.uk/20130221130239/http://dilnotcommission.dh.gov.uk/our-report/>.

Promoting a savings culture. In August 2014, Which? published ‘*The Three Habits of Successful Savers*’ highlighting how, given the right conditions, approximately 2.5 million people could save in a sustainable way if they are supported to save what they can every month, so that they could build up a savings buffer and keep a pot of savings separate from spending money.²⁴ In January 2015, the FCA published its review of the cash savings market. This found that 80% of easy access accounts have not been switched in the last three years and notes that consumers are currently put off switching by the expected difficulty and perceived low gains on offer.²⁵ The FCA has recommended providers of savings products improve transparency by giving clear, consistent and timely information about alternative products.

A number of organisations are working with employers to promote more opportunities to save. Payroll deductions allow savings to be taken from wages before they go into the employee’s bank account which can help to create a new default of saving. RetailCURE is a proposed new credit union to enable retailers to offer their employers better access to affordable credit, savings and insurance products.²⁶ TSIP’s report ‘*Saving Our Financial Future*’ sets out recommendations to re-energise saving in the UK. This includes making it easier to manage different savings pots and increasing financial capability through greater collaboration across the industry on financial education.²⁷

Low-income consumers. The Money Advice Service’s own financial capability and debt research has highlighted that low-income consumers, particularly those who are unemployed and/or living in social housing, are more likely to have low financial capability. Across the UK approximately 8.8 million people are over-indebted.²⁸ StepChange and The Children Society’s analysis has shown almost 1.4 million UK families with dependent children are currently in problem debt.²⁹

Whilst many people on low incomes are extremely good at budgeting and making their money stretch to cover unexpected demands, a DWP study suggests approximately one third of benefits claimants do not budget regularly.³⁰ The Money Advice Service has launched online tools to support working age adults to manage their money and plan ahead. This includes information to help understand the costs and financial decisions involved in divorce and separation and a mortgage calculator that helps people anticipate and consider interest rate rises.

Nearly two-thirds (64%) of people paying into a pension said they had little or only a vague idea of what income they would need in retirement, rising to 87% amongst people who were not saving into a pension.

Attitudes towards Pensions:
the 2012 Survey, DWP (2012)

24. which?, 2014. *The three habits of successful savers: How learning from their behaviour could get the UK saving*, August 2014. <http://www.which.co.uk/documents/pdf/the-three-habits-of-successful-savers-376950.pdf>

25. FCA, 2015. MS14/2.3: *Cash savings market study report: Part I: Final findings Part II: Proposed remedies*, January 2015. <http://www.fca.org.uk/your-fca/documents/market-studies/ms14-2-3>

26. retailCURE, 2015. <http://www.retailcure.org.uk/>, Date accessed: 10 March 2015.

27. TISA, 2015. *Saving Our Financial Future*, March 2015.

<http://www.tisa.uk.com/downloads/TSIP%20Policy%20Proposal%20Report%202015.PDF>

28. Money Advice Service, 2013. *Indebted lives: the complexities of life in debt*, November 2013.

<https://www.moneyadviceservice.org.uk/files/indebted-lives-the-complexities-of-life-in-debt-november-2013-v3.pdf>

29. Stepchange and the Children’s Society, 2014. *The Debt Trap. Exposing the impact of problem debt on children*, May 2014. <http://www.stepchange.org/Portals/0/documents/media/reports/TheDebtTrap.pdf>

30. T. Tu and S.Ginnis, DWP, 2012. *Work and the welfare system: a survey of benefits and tax credits recipients*. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/193471/rrep800.pdf

Next Steps

- The final Strategy will cover working age people managing money day to day and saving for resilience, not just for retirement.
- The Money Advice Service will establish an Action Group to prioritise actions for the working age adult themes for the first years of the Strategy. This will include identifying opportunities for collaborative work to promote a savings culture in the UK.
- The Money Advice Service and organisations across the sector will work closely with DWP through the rollout of Universal Credit in order to create a more integrated claimant customer journey that actively promotes and enables financial capability.

4.3 Older People in Retirement

Recommended Actions from the Draft Strategy

1. **Support the 1 in 3 older people who find managing their day to day finances difficult to become more effective money managers.**
 - Ensuring budgeting tools and support are accessible for older people and improve signposting and referrals.
 - Providing practical support and assistance to help older people to shop around and get the best deal on big purchases, utilities or other services.
 - Helping older people to maximise their financial means.
2. **Building on Age UK's Financial Services Commission recommendations, the financial services industry should work with the advice sector and older people's organisations so that **products and services are easy to use and accessible for older people.****
3. **Focus resources on the key risks to financial wellbeing in later life.**
 - Support people who reach retirement with a mortgage to **develop a realistic mortgage repayment plan** (that may involve debt advice).
 - **Increase the early take-up of debt advice** by over-indebted retirees.
 - Encourage people to **make timely plans to manage the impact of increasing cognitive impairment** on financial wellbeing.
 - Help people **make informed and sustainable decisions about funding long-term care.**

Responses to the consultation

There was widespread support for the Strategy including a focus on the retired population and responses to the draft Strategy broadly agreed with the priorities laid out in the draft Strategy.

Respondents highlighted that the needs of people falling into the 'Older People' group are diverse. The final Strategy will recognise the differing needs of people within this group, whose circumstances may make them vulnerable.

Respondents suggested a number of additional priority areas for this group which we will include in the final Strategy:

- **Increasing resilience to financial scams:** Elderly people can be more vulnerable to scams and can lose larger sums than other sections of society.
- **Tackling financial abuse:** As people age they may become more reliant on others for assistance to deal with their finances. This puts them at risk of financial abuse (the illegal or unauthorised theft or use of their property, money or other valuables). We consider this should also be a priority area for working age people in similar situations that leave them at risk of abuse.
- **Making a will and end-of-life planning:** This is important to ensure the financial security of family members. Rather than being a priority just for older people, we see it as an important part of preparing for and managing life events for working age people.

Examples of developments across the sector

Age UK's forthcoming report '*Never too Late: Money advice and financial capability in later life*'³¹ highlights the following 10 lessons it has learnt from its experience delivering services to people in later life:

- Lesson 1: Older people are diverse – we need to recognise this and not assume that we understand their needs.*
- Lesson 2: Financial capability needs to adapt to more complex retirement income choices.*
- Lesson 3: It's not just about money – other issues may need to be resolved first.*
- Lesson 4: Channel matters – services need to make sure that not only do they offer face-to-face and home visits but that they target these towards those most in need.*
- Lesson 5: Prioritise getting to the older people who need money advice the most.*
- Lesson 6: Good money advice is trusted money advice.*
- Lesson 7: Turning advice into action: helping people to take the next step.*
- Lesson 8: Support generalist advisers to pick up money issues.*
- Lesson 9: Recognise the context in which service providers operate.*
- Lesson 10: Money advice can change people's worlds: advisers will hear about problems that can prompt policy solutions.*

These lessons will inform the development and delivery of the older people strand of the Strategy.

Many organisations, including Think Jessica, Citizens Advice, Age UK, the Pensions Regulator and the Metropolitan Police, have ongoing initiatives to improve financial capability by **raising awareness of scams**. As rules on drawing defined-contribution pensions change in April 2015, specific campaigns on pension scams are planned. The Project Bloom Communications Working Group has enabled organisations including the Money Advice Service, the Financial Conduct Authority, The Pensions Regulator, The Pensions Advisory Service, Citizens Advice, and others, to work together to increase awareness of scams. This includes a forthcoming campaign designed to help people 'scam proof their savings'.

The Money Advice Service and other organisations will also review the implications of **the new annuities buy-back option** announced in the March 2015 Budget.

“As one participant in Age UK research put it, ‘Most of us were brought up to save for a rainy day – now it’s starting to drizzle – most of us have been careful and saved and it’s difficult to break the habit’.”

AGE UK, Consultation Response (2014)

31. Age UK, 2015. *Never too Late: Money advice and financial capability in later life*. [Awaiting release].

Action on Elder Abuse's work seeks to improve aspects of older people's financial capability by engaging and empowering older people to challenge elder abuse, including financial abuse. It also provides training that equips care staff recognise and respond appropriately to circumstances of abuse.

Prior to the changes announced in Budget 2014, the FCA estimated that customers lose out on around £115 – 230 million a year by not making the best choices about how to turn retirement savings into income.

Freedom and Choice in Pensions, HM Treasury (2014)

Next Steps

We will continue to work with organisations already involved in increasing older people's financial capability, including Age UK, Age Action Alliance: Money Matters Group and Alzheimer's UK, to:

- co-ordinate research to avoid duplication and build an evidence base for financial capability interventions aimed at older people,
- further develop the recommendations and actions related to older people for inclusion in the final Strategy, and
- develop shared action plans to increase resilience to financial abuse and scams.

We will also involve other 'trusted messengers' who interact with older people in vulnerable positions, but do not necessarily provide guidance on financial matters. Initially, we will be seeking their commitment to signpost their clients to organisations that can assist them to become more financially capable.

4.4 People with Financial Difficulties

Recommended Actions from the Draft Strategy

1. The Money Advice Service should lead work with the advice sector, DWP, Housing Associations and credit providers to **develop and extend effective methods to reach more of the people** who are struggling to keep up so that they can absorb income shocks more effectively.
2. Further work with the Financial Services industry, key creditors and debt advice sector to **identify where there is scope to spot problems earlier, before debt becomes unmanageable**.
3. The debt advice sector, creditors and public services should work together **to encourage more people with debt problems to seek debt advice earlier**.
4. The Money Advice Service should initiate work with the debt sector to put in place **the right formal solutions to enable people to sustainably resolve their debt problem**.
5. The Money Advice Service should **develop best practice for offering 'breathing space' and to encourage take up** across the financial services, utilities and public sectors.
6. The Money Advice Service should work more with the debt advice sector to drive up quality, consistency and effectiveness of debt advice services, including **ensuring that more debt advice clients also receive money advice to increase their resilience in future**.

Responses to the consultation

Many responses to the consultation focused on the need to help people with financial difficulties access debt advice earlier, acknowledging that many people do not seek debt advice until a crisis point is reached.

Debt advice organisations also told us that more could be done to raise awareness of free advisory services.

Just under 9 million people in the UK are over-indebted.

Indebted lives: the complexities of life in debt, Money Advice Service (2013)

Examples of developments across the sector

In line with the recommendations of the Independent Review, the Money Advice Service will be taking on a greater role in co-ordinating debt advice and prevention, including establishing a Debt Advice Steering Group made up of the major advice providers, creditors and other statutory bodies.

StepChange Debt Charity has recently published research indicating the value that savings can have in preventing debt crises. Their research suggests that £1000 of precautionary savings could prevent up to 500,000 households from falling into problem debt. The majority of people that have problem debt are on lower incomes and this research shows crucially that the **protective effect of savings** is greatest for lower income households.³²

Citizens Advice has begun to increase its **debt advice capacity by telephone** through an initiative with National Debtline funded by the Money Advice Service. This additional telephone capacity will help more people access services by telephone. Citizens Advice has been piloting a Debt Relief Order (DRO) unit to provide back-office support for this specific debt solution, which will free up adviser time in bureaux so that debt advisers will be able to see and advise more people. Citizens Advice is also setting up telephone casework centres to increase their capacity to deliver full casework for clients by phone and to improve channel management of advice services.

32. StepChange, 2015. *Action Plan on Problem Debt*, January 2015. http://www.stepchange.org/Portals/0/documents/media/reports/additionalreports/StepChange_Action_Plan_on_Problem_Debt_2015.pdf.

A new **Common Initial Assessment** for debt advice clients is being rolled out across Citizens Advice Bureaux and other Money Advice Service funded organisations, to identify advice needs and channels for clients at the first point of entry into advice.

Web Chat and email services have been delivered as part of a Money Advice Service funded pilot with Citizens Advice, as well as improved technology and infrastructure resources in other advice agencies to test digital channels and reach more people who need debt advice.

National Debtline, StepChange Debt Charity and Citizens Advice have been working together with the Money Advice Service to **raise awareness of free debt advice**. The Money Advice Service has a statutory role to co-ordinate debt advice across the UK and has set a strategic aim to double the percentage of people accessing debt advice over the next five years.

To help people access high quality advice, the Money Advice Service went live with a **new Debt Locator tool** in July 2014. This enables people searching for debt advice to find organisations that provide free support and hold a quality standard accredited by the Money Advice Service.

The Money Advice Service recognises the important role that creditors can play in the experiences, and subsequent outcomes, of clients receiving debt advice. With this in mind, it has begun work with a variety of creditor bodies to find appropriate data sets that could be used to more effectively **identify people at risk of over-indebtedness** and put in place interventions to reduce this risk.

As part of its wider overhaul of the insolvency regime in England and Wales, the **Insolvency Service** has recently announced changes to the administration of debt relief orders and bankruptcy. These will lead to more people being able to access the most appropriate insolvency solution for them and has the potential to accelerate the financial rehabilitation of people experiencing serious financial difficulties.

StepChange has championed the **‘Breathing Space’ policy initiative** which provides people with debt problems with the time and space to deal with and adjust to the change to their circumstances, by creditors accepting token payments for up to two years. This has received strong support from large creditors and debt advice sector.

The FCA has begun its work to **authorise the commercial firms** that some people with financial difficulties choose to turn to for support in managing their debts. A number of firms have chosen not to apply for authorisation and the FCA has announced some early findings from a thematic review they are conducting in parallel to the authorisations process. These findings indicate that serious issues remain in this sector. As the authorisations process continues it will be important that people with financial difficulties remain able to access advice should some commercial firms not be authorised.

There are powerful attitudinal barriers to seeking help. Many people feel ashamed of their debt problems and remain uncertain about the consequences of both problem debt and advice seeking.

Indebted lives: full data files, Money Advice Service (2013)

Next Steps

- The Money Advice Service is establishing a Debt Advice Steering Group that will include the Chief Executives of Citizens Advice, National Debtline and StepChange Debt charity, along with senior creditor representatives, to improve client journeys, maximise the level of funding and its effectiveness and to design a consistent process for clients entering debt advice.
- In 2015/16, the Money Advice Service will carry out primary research into the experiences of people in debt as part of a longitudinal study. The insights gained from this will help targeted engagement with more over-indebted people and increase the number who actively seek advice.
- The Money Advice Service will conduct a review of current solutions and identify gaps and needs which current debt solutions do not meet.

4.5 Ease and Accessibility of Financial Products and Services

Recommended Actions from the Draft Strategy

1. The Money Advice Service to work with **consumer organisations to systematically identify, prioritise and propose solutions to problems** of access to financial services including advice, whether problems faced by specific disadvantaged groups, or problems with the ease of accessing specific services.
2. **People need help to understand the consequences of the choices they are making. Help can come from:**
 - FCA and industry working together to increase clarity on the costs of credit in terms that people understand intuitively. For example, using pounds and pence, not percentages, and making clearer the impact of missing payments.
 - Simplifying and, where possible, standardising terms and conditions to highlight the parts that matter.
 - Using behavioural science techniques to design ‘consequences’ messages that people assimilate quickly during a buying process and that work on motivations as well as knowledge.
3. The Money Advice Service, consumer organisations and others to **drive awareness and highlight the benefits of the use of appropriate independent advice.**
4. Continued **innovation in the use of financial self-assessment tools and decision aids**, as an easy and cost-effective complement to personal advice.

Responses to the consultation

Consultation responses supported a focus on improving the ease and accessibility of financial products. Respondents highlighted specific groups or communities that have been persistently excluded from financial products, and the significance of geographical remoteness and digital exclusion in accessing services. Several respondents in the consultation highlighted the future potential of the community credit sector in opening up more affordable credit to low income households.

Respondents highlighted the need for the Strategy to work on both the supply side and the demand side for accessible products and services, with some emphasising the need for new financial products that were simpler, clearer and more transparent. Other respondents emphasised the importance of working to support people’s ability and confidence to engage with products, services and advice.

“We support the action of ensuring accessibility to advice... In 2013/14, the Citizens Advice service in Scotland dealt with over 550,000 new issues... and had over 4.1 million unique page views on Adviceguide, our self-help website.”

Citizens Advice, Consultation Response (2014)

Examples of developments across the sector

The Financial Inclusion Commission is an independent body of experts established to identify key measures needed to extend access to financial services to those currently excluded, and provide a new focus on financial inclusion in the run up to the 2015 General Election. The Commission published its recommendations in March 2015, addressing the issues of: leadership, banking and payments, credit and debt, savings and pensions, insurance and financial capability. The final Strategy will incorporate and build on those recommendations.³³

In December 2014, a new agreement was launched between government and the industry to establish fee-free **Basic Bank Accounts** in the UK for customers who are ineligible for a full-service account. Basic bank accounts will give customers access to the key banking services they need to manage their money, including over-the-counter services, access to ATMs, direct debits and payment cards. The introduction of fee-free basic accounts by the end of 2015 marks a step forward in financial inclusion and will enable a range of people who are currently unbanked or who are not able to use their account to manage their finances more effectively. As these accounts are made available to consumers, communications and support will be needed to address the attitudes and motivations that may also have limited people's take-up of bank accounts previously.

The Association of British Insurers, British Bankers' Association and the Building Societies Association have approved a **Simple Products framework** to develop a suite of financial services products with standard features that are easy to understand and transparent. This is important because we know that as many as 84% of UK adults do not read the full terms and conditions when taking out financial products.³⁴ Consumer bodies and financial capability organisations, including the Money Advice Service, are part of the steering group for this work.

As **Universal Credit** is rolled out, millions of households will move on to single monthly payments, paid directly to households. The reform process will mean upheaval and change for many families on low income. It could also act as a 'launch pad' for motivating people and fostering confidence and financial capability. The Strategy will need to be able to adapt, respond and learn from new products created from the demands of Universal Credit rollout and other changes in demand for products and services.

The Credit Union Expansion Project, backed by the DWP, is enabling credit unions to develop more sustainable business models and increase access to affordable credit, bank and savings accounts for one million more people on low incomes. The Government's response to the call for evidence on the future of Credit Unions, '*British Credit Unions at 50*' was published in December 2014.³⁵ It concluded that all credit unions should engage with the Credit Union Expansion Project as new products are developed by the sector and credit unions develop approaches to offer a range of financial services to the broader community.

#TOYOURCREDIT: the Archbishop of Canterbury's Task Group on Responsible Credit and Savings is delivering a number of practical initiatives to raise awareness of credit unions and improve access to affordable credit, savings opportunities and debt and money advice, particularly for those on low incomes or otherwise excluded from mainstream banking.³⁶

The 'Keep Me Posted' campaign aims to ensure all consumers are given the choice in how they receive their bills and statements. The campaign is working with a range of organisations, to build commitment to a series of pledges to guarantee customers access to free paper billing.

"Older people have been brought up to manage... and do not easily admit they are in financial difficulty. So they need easy access to information and advice."

AGE Scotland, Consultation Response (2014)

33. Financial Inclusion Commission, March 2015. *Financial Inclusion - Improving the Financial Health of the Nation*. http://www.financialinclusioncommission.org.uk/pdfs/fic_report_2015.pdf.

34. Research conducted by One Poll for Money Advice Service. August 2014 (sample: 3,000 UK adults).

35. HM Treasury, 2014. *British credit unions at 50: response to the call for evidence*.

<https://www.gov.uk/government/consultations/british-credit-unions-at-50-call-for-evidence>.

36. Archbishop of Canterbury initiative, 2014. <http://www.toyourcredit.org.uk/>. Date accessed 10 March 2015.

Next Steps

- The Money Advice Service will work with the Action Groups and Debt Advice Steering Group to build a shared understanding of client groups or communities least able to engage with the current range of products and services, and to better understand any gaps in current and future product and service ranges over the course of the Strategy. This will draw on the recommendations of the Financial Inclusion Commission.
- The Money Advice Service will work with the community finance sector to ensure affordable credit solutions are part of the Strategy, maximising its potential impact and reach.
- The wider sector will contribute to, and share learning from, the emerging work programme of the Simple Products Group.
- Organisations across the sector will engage with and learn from the projects developed through the Archbishop's Task Group on responsible credit and savings.
- The Money Advice Service will work with financial services providers to assess the feasibility for collaborative projects across the sector, to:
 - simplify and, where possible, standardise terms and conditions of products, and
 - increase clarity on the costs of credit by more consistent communication in terms that people understand intuitively.

4.6 Influencing Social Norms

Recommended Actions from the Draft Strategy

1. Cross-sector work to develop and test interventions that encourage financially capable behaviours, particularly at key life events when people are more receptive to changing their behaviour.
2. The development of simple money management messages to encourage resilience building that can be deployed and repeated through trusted intermediaries and brands.

Responses to the consultation

Responses to the consultation strongly supported the UK Financial Capability Strategy seeking to influence social norms, so that people feel more comfortable talking about money and seeking the advice and guidance they need before hitting crisis point. There was agreement from several respondents on the need to develop a new social norm on saving to build resilience and prepare for the future.

Respondents were clear about the scale of challenge of behaviour change, but felt that this was also fundamental to the success of the Strategy. In order to make an impact on behaviours and norms, the Strategy will need to engage organisations from different sectors and focus on key life stages.

Respondents to the consultations recognised the limits on any one organisation's capacity to create change in this area in the short-term or through specific projects. Concerns were also raised that the evidence base for successfully changing social norms was often limited and very specific to the particular context of individual campaigns or projects.

“We agree that ‘proactively seeking advice and guidance’ is of vital importance and as such needs to be encouraged as a social norm and ultimately ingrained in behaviour.”

A4e, Consultation Response (2014)

Examples of developments across the sector

In the last year, a number of organisations and academic institutions have explored the extent to which behavioural economics and psychology can be applied to shift norms and attitudes to financial capability. Gathering together their learning from trials and pilots the **Behavioural Insights Team** has published the EAST framework for behaviour change (Easy, Attractive, Social and Timely).³⁷ This builds on the previous MINDSPACE framework.

The **FCA** has used behavioural economics as a key element of their market studies. The FCA's market review of general insurance add-ons included a behavioural experiment that tested consumers' reactions to the add-on mechanism in a simulated environment.³⁸

37. The Behavioural Insights Team, *EAST: Four Simple Ways to Apply Behavioural Insights*

<http://www.behaviouralinsights.co.uk/publications/east-four-simple-ways-apply-behavioural-insights>.

38. FCA, March 2014, Occasional Paper No. 3: How does selling insurance as an add-on affect consumer decisions?

<http://www.fca.org.uk/news/occasional-paper-no-3>.

The staged implementation of **auto-enrolment in workplace pensions** and the launch of **Pensionwise** create new opportunities and risks to shifting social norms around saving for retirement. The default opt-in is significantly increasing participation.

Organisations across all sectors will need to collaborate to ensure relevant advice and guidance is available to maximise people's engagement and active decision-making about their options as people move toward retirement. The **ABI** has published '*Freedom and Choice in Pensions: A Behavioural Perspective*'.³⁹ This sets out key behavioural biases and social norms that can frustrate effective planning. This includes a tendency not to engage with planning for a life event that is perceived as far off, a reluctance to make decisions when confronted by a complex range of options and a bias towards sticking with existing providers even if better returns are available elsewhere.

“Influencing social norms around money is crucial... and we strongly support this aim. For huge numbers of people in the UK... money is not something that is talked about – whether through embarrassment, politeness, or simply habit – and addressing this should be at the heart of the Strategy.”

The Money Charity, Consultation Response (2014)

Next Steps

- Through the development of the Strategy, the sector will share research insights into specific triggers for behaviour change and learning on how to overcome attitudinal and motivational barriers to financial capability. This will include applying the learning and tools developed by behavioural economics and psychology to key life stages and elements of financial capability throughout the delivery of the Strategy.
- The Strategy's Board, and Action Groups and devolved Steering Groups will consider ways in which the wider sector could collaborate to:
 - support and promote a stronger savings culture over the long term, and
 - use research insights to co-ordinate messaging and communications between organisations, to maximise the opportunity to change behaviours and shift social norms in the longer term.

39. ABI, Freedom and Choice in Pensions: A behavioural perspective (2015), <https://www.abi.org.uk/~media/Files/Documents/Publications/Public/2015/Pensions/Freedom%20and%20Choice%20in%20Pensions%20A%20behavioural%20perspective.pdf>.

4.7 Evidence & Evaluation

Recommended Actions from the Draft Strategy

1. Financial capability funders, researchers and providers should commit to the evaluation and evidence principles set out alongside this Strategy. These aim to drive consistent impact evaluation, assess the effectiveness of services using standard outcome frameworks and enable open sharing of results to create a common understanding of what works.
2. Relevant organisations, including the Money Advice Service, financial capability providers, research institutes and academic bodies, should conduct research and evaluation to fill the key evidence gaps, such as the most effective ways to help people overcome their natural reluctance to start preparing for future expected and unexpected events.
3. Funders to direct funding towards programmes that have been shown to work or to new and innovative projects with evaluation built in.
4. Providers to commit to using evidence to inform delivery decisions.

Responses to the consultation

Consultation feedback was, in the main, highly supportive of the proposals contained in the draft Strategy for helping the financial capability sector engage more effectively with the evidence on what works and use it to drive funding and delivering decisions. Stakeholders were in support of the Money Advice Service taking a leading role in building the capacity of the sector to help us collectively improve our impact.

Many responses to this strand focused on the evaluation toolkit, and supported the development of a flexible approach that can be adapted to meet the needs of different organisations and initiatives and implemented in a resource-efficient way. Other responses mentioned the importance of qualitative research and case studies, used in conjunction with quantitative measurement, in conveying impact; and the need to incorporate learning from evaluation activity back into front-line delivery. The Money Advice Service will be looking to develop the evaluation toolkit and guidance in-line with this feedback. Further suggestions from stakeholders that we will be taking forward include: using the platform presented by the Strategy to bring together professional researchers looking to evaluate programmes with front-line providers; and working with funders and commissioners to create an environment in which learning about what doesn't work is seen as equally valuable to learning about what does work, and innovation isn't stifled due to fear of failure.

Examples of developments across the sector

Following the supportive and constructive feedback we received to our proposals around evidence and evaluation outlined in the draft Strategy, the Money Advice Service has been progressing key elements of these proposals in collaboration with a range of stakeholders.

“In our view this is the most important element of the strategy. Without a robust method of evaluating interventions, it is impossible to judge what is working well and what is not, and therefore to decide how best the limited funding available should be allocated. ”

Association of Pension Fund Providers, Consultation Response, 2014

Launch of the financial capability evidence hub

The new evidence hub brings together in one place the latest research to help share learning on what works – and doesn't – to improve people's financial capability, summarised for the first time in a concise and accessible format for funders and practitioners. This will support organisations to improve the effectiveness of interventions going forwards.

It has been launched to coincide with the consultation response to the draft Strategy and is available on fincap.org.uk. The hub forms a core element of the UK Strategy website and is an open-access, virtual hub through which people and organisations working in the financial capability area can access the latest evidence on what works, in an accessible and non-technical format.

The first version of the hub focuses on quantitative impact evaluations of financial capability interventions, and contains standardised, bite-sized summaries of the key findings along with links to the full research papers. We have used a 'Standards of Evidence' rating system to provide an indication of the strength of the evidence of effectiveness of each intervention included in the hub.⁴⁰

⁴¹ In selecting studies for inclusion we have not aimed to be comprehensive at this stage, but instead to include the most robust evidence and that which is most relevant to the current UK financial capability context.

The hub represents a collaboration between the Money Advice Service, who led, and will continue to lead, its development and the Personal Finance Research Centre (PFRC) at the University of Bristol who quality assured the content.

Further development of the financial capability outcomes frameworks

Since the publication of the draft Strategy the Money Advice Service has been working with a range of stakeholders to further develop the suite of standardised financial capability outcomes frameworks. These list the outcomes that should be measured to evaluate success. We will turn them into practical tools that can be used to help both guide the delivery of front-line interventions, and evaluate their impact.

In addition to the adult and the children and young people frameworks, we are developing two new frameworks. One is designed for interventions working with parents in order to improve both their financial capability and that of their children.

The second is a framework for use with teachers, focused on developing their skills to deliver financial education to students, and is being developed in partnership with Pfeg/Young Enterprise. Each framework will be piloted with a range of partners as part of the wider evaluation toolkit before being launched publicly as a free, open-access resource later in 2015/16 once the feedback from the pilots has been incorporated.

40. Early Intervention Foundation, 2015. <http://guidebook.eif.org.uk/the-eif-standards-of-evidence>, Date accessed: 10 March 2015

41. NESTA, 2013. *Standards of Evidence: An approach that balances the need for evidence with innovation*.

Next Steps

Over the next few months the Money Advice Service will be working closely with key stakeholders to support the use of the evidence hub in their decision-making, such as those organisations involved in our Funders' Summits (further detail in Children and Young People section). We will also be seeking to understand how to adapt and further develop the hub so that it most effectively meets the needs of the wide-range of stakeholders it has been aimed at.

Piloting the evaluation toolkit:

The common evaluation toolkit will contain guidance and a range of practical tools for organisations wanting to evaluate the impact of their programmes in a more robust and consistent way. It has been designed to be flexible so that it can be adapted to suit different programme types and budgets, and to ensure it supports meaningful and proportionate evaluation activity.

From Spring 2015 we will be piloting the evaluation toolkit, of which the outcome frameworks mentioned above form a core element, with a wide range of partners, to ensure it meets the needs of a range of different organisations and programmes. Organisations who are keen to pilot the toolkit - or with whom we are currently in discussion about it - include Age UK, MyBnk, pfeg / Young Enterprise, Citizens Advice, the Church of England, the Wales Co-operative Centre, the Debt Advice Foundation, and Lloyds Bank amongst others. Partners using the toolkit will benefit from end-to-end evaluation support, which will help them to improve and refine their programmes and demonstrate their impact to stakeholders. The final 15 - 20 pilot partners (which will include some delivering projects funded by the Money Advice Service) will be announced later in the year. Following the pilots, the full evaluation toolkit will be launched later in 2015/16.

Strategic research to fill key evidence gaps

In addition to the qualitative research exploring financial behaviour and wellbeing published online at fincap.org.uk alongside this document, the Money Advice Service is planning to undertake a number of new research projects in 2015/16 to fill key gaps in our understanding of the UK population's financial capability and the best ways to improve it. These include the pilots discussed in the Children and Young People update, to robustly test the most effective ways to support parents to improve their children's financial capability, and the updated national Financial Capability Surveys of adults and children/young people to help us better understand the profile and distribution of the UK's financial capability and provide a baseline for monitoring progress against the UK Strategy's objectives.

Section 5

Progress in Devolved Nations



Section 5

Progress in Devolved Nations

Many of the issues in improving financial capability are similar across England, Northern Ireland, Scotland and Wales. There are, however, differences in the legislative and policy contexts, as well as in the delivery issues and range of partners. This will affect the particular priorities for action within the three devolved countries. This section summarises the context for financial capability for those three countries. There is no equivalent section for England, as we expect it to be covered by the UK actions and partners.

5.1 Current Status in Northern Ireland

In 2007, financial capability came to the fore in Northern Ireland when the FSA *'Delivering Change Strategy'*⁴² was launched.

As a result, financial capability was embedded in the Primary and Post Primary education curriculum in Northern Ireland. Since then, much work has been undertaken to understand what the key contributing factors are to having enhanced financial capability, with initiatives developed that target specific groups.

In 2011, the Northern Ireland Executive committed to develop its own financial capability strategy in the Programme for Government. This strategy has been developed by the Department of Enterprise Trade and Investment (DETI). It has been through public consultation, and is currently awaiting approval from the NI Executive.

The NI strategy and related action plans are centred around life stages and life events, and the support and interventions required throughout these events. The stakeholders involved in the development of the NI strategy, through a co-chaired Forum with DETI and the Money Advice Service, were supportive of this approach, whilst recommending greater focus be placed on addressing poverty, financial inclusion and affordable credit measures.

In addition, the NI strategy looks at capturing and encouraging individual departmental activities that address financial capability. An example is the Maximising Accessing Rural Areas initiative led by the Department of Agriculture and Rural Development (DARD). This is focused on providing improved access to advice services and support that can help to reduce rural poverty.

The action plan also includes activities delivered by key partners, such as the financial education programmes that are delivered by Ulster Bank, or the Money for Life programme that is delivered by Project Now and funded by Lloyds Banking Group.

As well as internal monitoring of the key activities across departments, DETI is also carrying out annual Omnibus surveys to track the knowledge, understanding, and behaviours of people who are benefitting from the initiatives in place.

The developing UK Strategy and the existing NI strategy will have to be closely linked. Relevant research and activity needs to be consolidated across both, and deployed with consideration given to locally specific requirements. In order to ensure that initiatives retain a local focus, it is anticipated that the existing Money Advice Service Northern Ireland Forum will continue to decide on how future activities are planned and delivered, acting as a steering group for the UK Strategy.

42. Financial Services Authority, 2006. *Financial capability in the UK: Delivering change*.
http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf.

The Money Advice Service carried out research to examine the extent to which financial capability in Northern Ireland differs from that of the UK as a whole. The report, due Spring 2015, highlights key differences in financial capability, but these differences are perhaps smaller than might be expected. For example, despite household budgets experiencing a greater squeeze, people in Northern Ireland appear slightly more positive about their finances. Compared with the UK overall, they are slightly more likely to feel confident managing their finances or be satisfied with their financial situation.

Compared to the rest of the UK, Northern Ireland has experienced greater level of hardship as a result of the recession, with significantly greater levels of fuel poverty and negative equity. The Money Advice Service has been working with DETI to co-fund a service for those facing severe hardship and struggling to make ends meet through multi-channel debt advice.

The Money Advice Service has also supported the delivery of advice in NI by funding a specialist support worker with Advice NI. The service provides second tier support to all debt advisers in NI on complex cases including direct support, podcasts and 'ask the expert' sessions to enhance knowledge and understanding.

To understand the future requirements for debt advice service in Northern Ireland, the Money Advice Service is currently undertaking three pieces of research. One is to understand the current supply of debt advice, funding streams, channels and locations. A second to understand in depth the levels of over-indebtedness. The third piece of research aims to understand those who are currently over-indebted and their relationship with the advice sector. This final piece is key to addressing the gap between those people currently seeking advice and those in need of it.

Next Steps:

The Money Advice Service is piloting the Evaluation toolkit 'For You By You', as part of their workplace-based education programmes for civil servants. The aim of this is to understand the effectiveness of the Outcomes-Based Evaluation Toolkit that the Money Advice Service has developed, as well as understanding how workplace-based financial capability programmes can improve knowledge and understanding, and how this affects behaviour.

In order to understand how to reach people in the early stages of financial difficulties, the Money Advice Service is exploring piloting data interventions with Clanmil Housing. These pilots would aim to understand what triggers an individual's ability to manage their finances and prevent housing arrears. For example, Clanmil is aware of events, such as the reduction in housing benefit that results when a child reaches the age of 16, that impact people's financial circumstances. These 'pinch points' have a significant impact, and the Money Advice Service is working with Clanmil to develop key messages, varying the channels of communication that are used to provide support to develop financial resilience.

In line with its statutory debt role, the Money Advice Service is working with Grant Thornton to improve the levels of financial capability and financial resilience of their clients. Where clients are managing an Individual Voluntary Arrangement (IVA), they are provided with support to improve their financial capability. This is intended to help clients succeed by identifying teachable moments and co-ordinating key messages throughout the 5 years of an IVA.

Current Status in Scotland

The Scottish Government has made a commitment to increasing financial capability, to ensure that all Scots have a basic understanding of how to manage their money effectively.

Their approach to financial capability is set out in the Child Poverty Strategy for Scotland which identifies a number of priorities for work across a variety of policy areas⁴³. They recognise that access to appropriate financial services, information and advice can make a significant impact on the material wellbeing of families. The focus of the wide range of activity is on building financial capability as a means of tackling causes rather than symptoms of poverty.

The aim of this work is to develop the ability and confidence of individuals so that they have the motivation and skills to manage their finances, can engage confidently with the providers of financial services and can subsequently make well-informed decisions.

There are a number of actions being taken to support this aim:

- **Joint funding from Scottish Government and the Money Advice Service.** Funding is provided to the Scottish Legal Aid Board and distributed to organisations providing support services to those affected by debt.

This has helped people in particularly marginalised groups access debt advice and aims to avoid the escalation of problems by making the solutions as sustainable as possible. There is a particular focus on preventative help and improving capability.

- **The changes being introduced by the Accountant in Bankruptcy (AiB).** The Bankruptcy and Debt Advice (Scotland) Bill will require everyone to access money advice before entering any statutory debt solution. It will provide financial capability education for those assessed as vulnerable to recurring debt problems. This is a model that has been implemented successfully in other parts of the world.

In addition to this, the Bill includes the development of the website 'Scotland's Financial Health Service', which provides information and advice in one place. Financial education is a key part of the Financial Health Service. To support this, a financial capability learning module was developed by the Money Advice Service. Its aim is to help increase skills and understanding, and to enable people to be better equipped to perform critical tasks, such as budgeting effectively, sourcing affordable credit, and ensuring they are appropriately insured.

- Through **Curriculum for Excellence**, young people are being encouraged to develop better money management skills, including budgeting and understanding credit and debt.

Young people

Within Curriculum for Excellence, financial education forms part of a wider focus on numeracy. All teachers have responsibility for developing pupils' numeracy skills across the curriculum, so that young people can develop improved money management skills. Expected outcomes include the development of skills to assess and evaluate financial risk, and gauge the impact of financial decision making.

Education Scotland facilitates the Scottish Financial Education Forum. The forum comprises representatives from the financial services sector in Scotland, the Scottish Government and its agencies, Local Authorities, the credit union movement and the voluntary sector. It aims to build capacity, develop professional competence and support the financial capability of young people. In addition, Education Scotland produces learning and teaching resources, in the form of case studies and other materials aimed at stimulating classroom discussion.

43. The Scottish Government, 2014. *Child Poverty Strategy for Scotland – Our Approach – 2014-2017*. <http://www.gov.scot/Resource/0044/00445863.pdf>.

Next Steps

In order to help govern proceedings, the Money Advice Service will convene a Forum consisting of colleagues from the Scottish Forum and other delivery and policy managers to take forward key recommendations for the Strategy to form the basis for an Action Plan for Scotland. This will support the Child Poverty Strategy outcomes relating to improving financial capability.

We will feed in to the Scottish Financial Education Forum, mentioned above, and use this group to drive forward any new initiatives for young people.

Pilot programmes: A variety of pilot programmes and development activities is planned to test and provide evidence of financial capability interventions. A selection of these are described below:

- The Money Advice Service will pilot the UK Strategy common evaluation toolkit for financial capability. We are in early discussions with the Scottish Legal Aid Board as to whether we can use some Money Advice Service Scottish Government funded projects to test this.
- The Money Advice Service is exploring the possibility of piloting projects aimed at parents of 3-11 year olds, working with Education Scotland and Scottish Government departments. This work would aim to provide robust evidence on how best to equip parents with the confidence and the ability to develop the next generation of financially confident individuals.
- The Money Advice Service will work with the Improvement Service, Convention of Scottish Local Authorities (COSLA) and Local Authorities. The intention is to help them understand how to make best use of their data to identify where people are at risk of falling into debt and look at early intervention models.
- The Money Advice Service will work with partners including Age Scotland to disseminate information in relation to the changes in pensions.
- The Money Advice Service is supporting the development of a Funders' Framework in Scotland. The framework sets out the key elements that public funders should take into account when reviewing their current funding arrangements or when they look to fund new projects.
- A Performance Management Framework is being developed which aims to support Local Authorities in highlighting the contribution they make to the money advice sector in Scotland, with a focus on the difference made to service users.
- In partnership with Money Advice Scotland, the Scottish Government is working to develop standards and competencies for money advisers relating to financial capability. This aims to ensure consistent and high quality advice is provided from accredited organisations.

Throughout the implementation of these pilots, we will work to identify best practice and will look to share this across the sector.

Current Status in Wales

In July 2009, the Welsh Government published its financial inclusion strategy, *'Taking Everyone into Account'*⁴⁴. This consolidated the financial inclusion activity taking place across Wales and raised the profile of financial exclusion and how to address it. The strategy sets out five themes for action:

- Improving access to mainstream services
- Increasing access to affordable loans and savings
- Widening the debt advice available
- Increasing financial literacy and capability
- Maximising people's income.

The Minister for Communities and Tackling Poverty, Lesley Griffiths AM, intends to refresh the financial inclusion strategy to ensure the Welsh Government is continuing with appropriate measures to protect and support the most vulnerable people in Wales. Additionally, financial inclusion features in the *'Wellbeing Plan'* outlined in the *'Wellbeing of Future Generations Bill'*.⁴⁵

To ensure alignment with the Financial Capability Strategy for the UK, the Money Advice Service will set up a Wales-specific Steering Group. This will take forward key recommendations for the Financial Capability Strategy for the UK to form the basis of an Action Plan for Wales. The Steering Group will consist of colleagues from the existing Money Advice Service Wales Forum (made up of specialist advisors to ensure the output is most relevant to Wales) and other delivery and policy managers identified by the group who will bring a specialist understanding of various priority groups.

The Financial Capability Forums for England and Wales, run by Citizens Advice, produce a regular newsletter discussing their work. Recent editions included the *'Tackling Homelessness through Financial Inclusion'* project, led by the Wales Co-operative Centre, and information on an initiative with *'Turn2Us'*, that focuses on helping tenants in the private rented sector in Wales.

The Wales forum has several hundred members from agencies such as Housing Associations, credit unions, advice providers, Communities First staff and others working directly with people and communities. The Money Advice Service will continue to work with this forum to understand the needs of people in Wales.

The Cardiff Community Housing Association has presented at the forum in Wales on their Housing Benefit Project, also an overview was given of the Financial Education & Inclusion Bill that was being scrutinised by a National Assembly for Wales Committee. Latterly, Flintshire County Council were able to share their experience of the personal budgeting support needed by claimants involved in a DWP trial of Universal Credit.

Financial education in schools in Wales

Financial education has been in the school curriculum in Wales since 2008. It features within the mathematics curriculum as well as in the framework for Personal and Social Education, and Careers and the World of Work.

There are detailed skills relating to managing money and financial education within the National Literacy and Numeracy Framework (LNF) which has been statutory since September 2013.

44. National Assembly for Wales, 2009. Taking everyone into account: Financial Inclusion Strategy for Wales. <http://www.wlga.gov.uk/download.php?id=2902&l=1>.

45. National Assembly for Wales, 2014. The Well-being of Future Generations (Wales) Act 2014. <http://www.senedd.assembly.wales/documents/s32604/Research%20Service%20Bill%20Summary.pdf>.

The Welsh Government recently consulted on revisions to the mathematics programme of study, which embeds the LNF into it, and again, has a detailed set of skills statements relating to financial education within the *'Manage money'* element. This element contains learning on using cash, comparing costs from different retailers, budgeting, planning and tracking savings accounts, profit and loss, bank accounts, bank cards, VAT, saving, borrowing, interest rates, exchange rates and insurance. This will be made statutory from September 2015.

Other ongoing financial capability work:

Since 2000, the Welsh Government has invested in Credit Unions, recognising the important contribution that can be made to tackling financial exclusion, especially in communities where disadvantage persists. The current programme for Government includes a commitment to deliver the Access to Financial Products through Credit Unions Project.

The Wales Illegal Money Lending Unit (WIMLU) targets illegal money lenders, more commonly known as loan sharks. The unit looks into illegal lending and any related crimes as well as supporting victims. WIMLU has produced some bilingual financial education resources for use with pupils aged 5-11 and also for use with students aged 11-19 in Wales.⁴⁶ They want to ensure that young people fully understand the dangers of using illegal money lenders (loan sharks) and believe that this is best achieved as part of a wider financial education programme that teaches them about borrowing money safely and managing money effectively.⁴⁷

Next Steps

Pilot programmes:

The Money Advice Service will pilot a common evaluation toolkit for financial capability. Discussions are already underway with the Welsh Local Government Association (WLGA), Money for Life (Wales), the Wales Co-operative Centre and a Community Interest Company delivering financial capability work.

The Money Advice Service is working with the Welsh Government's *'Communities First'* and *'Families First'* programmes to pilot financial capability interventions within existing parenting programmes. Focus is being placed on the Welsh Government's *'Flying Start'* programme, its Family Information Services and the *'Families First'* initiative. It is hoped that success in these areas will provide a strong evidence base that allows for further interventions to be commissioned.

Funders:

We are talking to Big Lottery Cymru to understand their funding themes going forward from 2015 and to look at ways of working together to build financial resilience in Wales and to share common evaluation frameworks.

46. Cardiff Government, <https://www.cardiff.gov.uk/ENG/resident/Consumer-advice/Wales-Illegal-Money-Lending-Unit/Documents/Keeping%20our%20money%20Safe%20ENGLISH.pdf>, Date accessed: 10 March 2015.

47. Cardiff Government, <https://www.cardiff.gov.uk/ENG/resident/Consumer-advice/Wales-Illegal-Money-Lending-Unit/Documents/Lessons%20in%20safer%20lending%20ENGLISH.pdf>, Date accessed: 10 March 2015.

Debt:

The Money Advice Service will work with the WLGA and Welsh Government to ensure our debt funding across Wales is co-ordinated. The Money Advice Service will support the recommendations of the Advice Services Review by sharing our debt standards and outcomes evaluation with the Welsh Quality Standards work and encourage other funders and advice services to work together to provide a more consistent service to debt advice clients in Wales.

The Money Advice Service will work with Community Housing Cymru to help housing associations in Wales to use their data sets to identify where people are at risk of falling into debt and look at early intervention models which we will share across the sector.

The Young Foundation has recruited an advisory group for a project exploring the use of pay day loans and alternative forms of affordable credit in Wales. This is an Economic and Social Research Council (ESRC) funded project which is part of the '*What Works in Tackling Poverty*' programme, led by the Public Policy Institute for Wales. The research will look at the 'customer journey' which leads people to choose a high cost form of credit, even when alternatives such as credit unions are available, and how to make such alternatives a more attractive proposition. The advisory group consists of various agencies including the Money Advice Service, Citizens Advice Cymru, credit unions and the Welsh Government.

In addition, the Welsh Government has invited the Money Advice Service to sit on the new National Advice Network as a funder of debt advice and also money advice.

Section 6

Next Steps

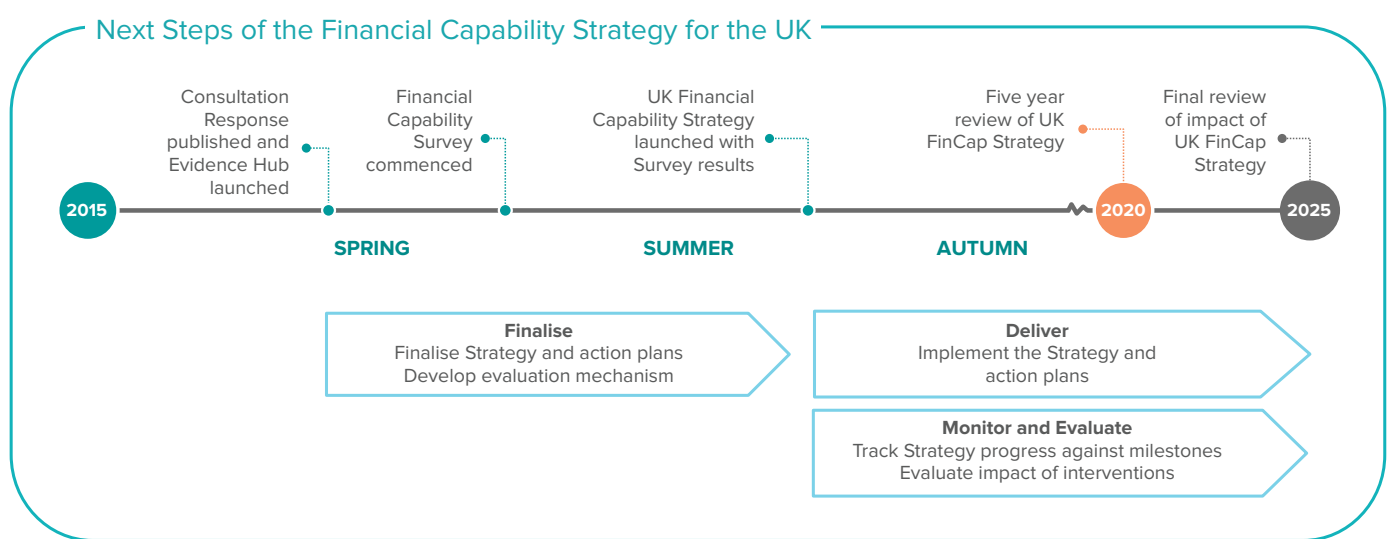


Section 6

Next Steps

The finalised Financial Capability Strategy for the UK will be published later in 2015. This will be a blueprint of what needs to be done, by whom, and when, to improve financial capability in the UK over the next 10 years. It will set out specific and measurable goals that we aim to achieve through the Strategy and will contain detailed commitments made by specific organisations of initiatives and projects that they pledge to run, in order to boost financial capability. It will also contain evidence-based proposals for policies which government and regulators can adopt. The final Strategy will be complemented by the Money Advice Service's 2015 Financial Capability Survey which will set the baseline on which we hope to build, through the implementation of the Strategy.

Figure 6.1: The next steps



6.1 Finalising the Strategy

In order to finalise the Strategy, a number of key activities need to be completed. These are described below.

- **Set up the governance structure:** The Financial Capability Board governing this Strategy will be established. The intention is for this group to work on the principle of collective impact with an increased focus on engaging organisations in the financial capability sector.
- **Gain stakeholder commitment:** As part of finalising the Strategy within the Action Groups, we will be looking to engage and inspire organisations to commit to taking responsibility for actions and activities.
- **Conduct dedicated workshops:** To develop some of the specific action plans, particularly for devolved nations and vulnerable groups, we will be holding dedicated workshops.
- **Develop detailed delivery action plans:** The newly-formed Action Groups and the devolved nation Steering Groups, liaising with existing groups and forums, will continue to develop the recommendations for action over the next few months leading up to publication of the finalised Strategy. The groups will use the feedback from the consultation responses. This will include reviewing current actions for relevance, developing new actions (where required), and detailing specific programmes of work (with milestones and responsibility) for these actions. We will also use the groups as a further opportunity to obtain feedback on the revisions within this document to guide the direction and make the final Strategy as comprehensive as possible for all organisations involved in financial capability.

6.2 Delivering the Strategy

Once the Strategy is finalised, work will then commence on delivering against the Strategy. Some of the delivery steps are described below.

- **Drive forward progress:** Work collaboratively across the sector to deliver the detailed action plans developed by the Action Groups and devolved nation Steering Groups.
- **Further develop the evaluation toolkit:** We will be piloting and launching the financial capability evaluation toolkit, which will provide organisations with guidance and the practical tools to enable them to evaluate the impact of their programmes in a more consistent and robust way.
- **Establish and conduct ‘Fundamentals’ Summits:** Based on consultation feedback, clarity is required around funding for the financial capability sector. We plan to set up various ‘Fundamentals’ Summits to help stakeholders understand gaps in the landscape and signpost the use of the evidence hub as a means of informing funding decisions. The forums should help to provide this clarity around funding and help to co-ordinate funding priorities.
- **Further develop and validate mapping of sector landscape:** A high-level mapping of the Financial Capability landscape has been carried out for use as a resource for supporting better co-ordination and collaboration across the sector. This tool needs to be further developed and validated. We will explore the option of building on the detail within the landscape to include project specifics within organisations, to support the identification of gaps.

6.3 Monitoring and evaluating the Strategy

The Financial Capability Board supported by the Financial Capability Secretariat will monitor the implementation of the Strategy, ensuring that key milestones are met.

The Financial Capability Survey will be the main way in which we will measure levels of financial capability across the UK population, enabling us to prioritise effort and assess progress over the duration of the Strategy. In addition, evaluation of specific initiatives will provide us with information on whether those initiatives are proving effective.

Acknowledgements



Acknowledgements

We would like to thank the wide range of organisations that provided consultation responses and attended the Consultation Events. We appreciate the time and effort that organisations spent in reviewing the draft Strategy and providing comprehensive responses.

We would also like to thank the organisations who participated during the Working Groups to initially form the draft Strategy for giving so generously their time and thoughts. We hope to garner continued support from organisations to attend the next set of Action Groups to further develop the detailed activity plans for the final Strategy document.

The following organisations provided official consultation responses, which have been made available to view in their original format online at fincap.org.uk:

A4e	Institute of Chartered Accountants in England and Wales (ICAEW)
Association of British Insurers (ABI)	Investment & Life Assurance Group (ILAG)
Age Scotland	Investment Management Association (IMA)
Age UK	Keep Me Posted (KMP)
Association for Professional Financial Advisors (APFA)	Ministry of Thrift
Betternest/ Behavioural Sciences postgraduate student (University of Stirling)	Money Advice Scotland (MASc)
British Bankers Association (BBA)	Money Advice Trust (MAT)
Consumer Finance Association (CFA)	Money Matters Team Scotland (MMTS)
Charity for Civil Servants (CFCS)	MyBnk
Christians Against Poverty (CAP)	National Numeracy
Citizens Advice Bureau Scotland	National Skills Academy (NSA)
Citizens Advice Bureau (CAB)	North Lanarkshire Council
Citizens Advice Bureau Arbroath	Older People's Commissioners for Wales
Citizens Advice and Rights Fife	Quaker Social Action
Citizens Advice Bureau Dumfries and Galloway	Royal Bank of Scotland (RBS)
Council of Mortgage Lenders (CML)	Scottish Financial Education Group (SFEG)
Consumer Council NI	StepChange (SC)
Curriculum Unit Scottish Government & Education Scotland	The Debt Counsellors Charitable Trust
Elston Consulting	The Money Charity (TMC)
Financial Conduct Authority (FCA) Smaller Business Practitioner Panel (SBPP)	The Financial Capability Partnership (TFCP)
The Finance and Leasing Association (FLA)	Toynbee Hall (TH)
Glasgow Association for Mental Health (GAMH)	Wales Co-operative Centre
	Wrexham Anti-Poverty Delivery Group

Appendix 1

Consultation Responses



Appendix 1

Consultation Responses

Introduction

The draft Financial Capability Strategy for the UK was published in September 2014 and the consultation period ran until the end of October. As part of the consultation exercise 45 organisations returned formal responses, 16 organisations provided informal responses and a significant number of organisations provided feedback through the consultation events in Leeds, London, Northern Ireland, Scotland and Wales which were attended by more than 100 people.

The majority of responses were from organisations involved in the delivery of financial education or debt advice. Approximately a quarter of the responses were from financial service providers and their representatives.

Summary

The consultation responses received were reviewed in detail, in conjunction with the draft Strategy, and consolidated into key themes. This feedback has been referenced throughout the main body of this document.

Responses to the draft Strategy were generally positive and constructive. Inevitably, there were differences of view on the level of ambition for the Strategy.

Within this section, the consolidated responses have been separated into three sub-sections:

1. Key strategic themes – highlighting the high-level feedback that has been used to amend the Strategy, as explained throughout this document.
2. Specific points on the Strategy – commentary on specific points/suggestions on the Strategy not covered by the themes.
3. Suggested activities and specific actions – with an explanation of how we intend to use these for the development of the final Strategy document.

Ref.	Feedback and Responses
A - Governance and Delivery	
A.1	<p>Governance and Roles</p> <p>Greater clarity was requested regarding the ownership of the Strategy, how it will be governed and what the role of the Money Advice Service will be.</p> <p><i>Response:</i></p> <p>The Strategy is owned by all partners within the Financial Capability sector. It will be governed and delivered in line with the concept of ‘collective impact’. The Money Advice Service will act in a co-ordination role.</p> <p>A Financial Capability Board will be established to oversee the direction of the Strategy. The Board will be supported by a Secretariat which will co-ordinate the day to day activities and progress.</p> <p>Action Groups will further develop the actions and activities within each priority area. They will be co-ordinated with the devolved nation Steering Groups and other existing forums to ensure action plans are relevant and, where appropriate, tailored to each devolved nation.</p> <p>We encourage other existing groups, including the Debt Advice Steering Group and the Research & Evaluation Group, to co-ordinate with each of the above and provide their expert advice and insight to help guide the direction of the Strategy.</p> <p>Further details of the governance structure and roles are included within Section 2.</p>
A.2	<p>Timeframes</p> <p>Respondents did not agree on the appropriate timeframe for delivery of the Strategy. The most popular timeframe suggested was 5-10 years.</p> <p>Suggestions included:</p> <ul style="list-style-type: none"> ● Less than 5 years ● 5-10 years ● 25 years with 5 year refreshes ● Milestones, rather than a timeframe <p><i>Response:</i></p> <p>In line with the most popular suggestion, the timeframe for the Strategy will be set at a ten year period, with a five year review point.</p> <p>Incorporating the suggestion of milestones, five year goals will be defined for each priority area of the Strategy. Performance against these goals will be assessed as part of the five year review.</p>

Ref. Feedback and Responses

A.3 Devolved Nations

Greater detail was requested on how the Strategy will be delivered within each devolved nation and how the different requirements and constraints will be factored in.

Response:

The Strategy is UK-wide, and aims to be relevant to all parts of the UK. The external environment and local policy context are different within each devolved nation, which affects the requirements of the Strategy. For example, the education systems are different and therefore sector stakeholders and programmes of activity will also be different.

To ensure each set of requirements is incorporated into the final Strategy, we will be working with partners in the devolved nations to define actions and activities that address local differences and specific challenges of each nation. In addition, the existing devolved nation Steering Groups will provide direction and guidance on the overall Strategy to make it relevant for all.

A.4 Measuring and Assessing the Strategy

Further clarity was requested regarding how the Strategy will be measured and assessed.

Response:

Evaluation and monitoring will be integral to the successful implementation of the Strategy and to achieving the vision of a more financially capable UK.

The Money Advice Service proposes to lead on monitoring and evaluation activity around the Strategy. This will involve conducting research to measure progress in relation to the UK population's levels of financial capability and financial behaviour, as well as monitoring the implementation of the Strategy.

Financial capability and behaviour are complex concepts, which are influenced by a variety of factors including the economic context, overarching government policies such as welfare and pension reform, and developments in the financial services industry. It will therefore be challenging to isolate the impact that the UK Strategy has had on people's financial behaviour.

It is nonetheless vital that monitoring and evaluation is undertaken to measure the extent of progress that has been made towards developing a more financially capable UK; to identify areas and population groups where further activity is needed; and to ensure accountability.

We propose to monitor and measure Strategy inputs, outputs and outcomes in order to gain a holistic understanding of activity and progress. The 'Monitoring Progress' document, published alongside the draft Strategy on fincap.org.uk, contains further information about what we propose to measure, what data sources we will use and the timescales for this measurement activity.

Ref. Feedback and Responses

A.5 Funding

Many respondents highlighted funding as a significant challenge and requested greater clarity regarding how the Strategy will help to improve the effectiveness of funding allocation.

Response:

Funding is a key challenge. A clear and sustainable funding model is needed which encourages innovation of provision, supports rigorous evaluation and scales up effective practice.

In line with the Strategy, the Money Advice Service will provide co-ordination within the sector, with specific focus on addressing some of the existing issues relating to funding. To support this, a series of Funders' Summits will be launched, initially focusing on children and young people. These will aim to (1) identify gaps in provision, research and evaluation, (2) facilitate partnerships, (3) provide support in developing effective practice and (4) obtain agreement on using a consistent evaluation approach for interventions (IMPACT principles).

Further details will be included within the final Strategy document.

B - Strategic Models and Concepts

B.1 Rationalisation of Concepts and Models

Overall, feedback was very positive for both the Financial Capability Framework and the definitions of its component elements. However, respondents highlighted a lack of clear logical flow and connection between the framework and the other models within the Strategy.

Response:

We welcome the positive feedback regarding the Financial Capability Framework and underlying concepts, and are grateful for the specific suggestions that have been provided for translating these into tangible actions. These have been noted and will be used as an input into the new Action Groups.

In order to address the feedback that the logical flow between models was unclear within the draft Strategy, we have introduced an overarching Financial Capability Strategy Framework.

This framework is comprised of:

- **Life Stages** - Children and young people; working age people; and older people in retirement
- **Behavioural Domains** - Managing money well day to day; Preparing for and managing life events; and Dealing with financial difficulties
- **The Financial Capability Framework**
- **Strategy Enablers** - Evidence and evaluation; and Funding

This provides an overall framework, within which strategic priorities will be defined by the Action Groups and implemented.

Ref. Feedback and Responses

B.2 Drivers of Financial Wellbeing

Respondents highlighted that the Strategy needs to emphasise that a person's financial wellbeing is not solely driven by their personal choices, but is also strongly influenced by external factors, such as the system and the person's circumstances.

Response:

We agree that a person's financial wellbeing is strongly influenced by both internal and external factors. This is represented, in part, by the concepts of financial means and pressures, which are shown within Figure 3.1 in Section 3. Notably, a person's income is a major determinant of their financial wellbeing - the Strategy therefore will aim to help people to understand how they can maximise their income, such as by claiming benefits and tax relief that they are due.

The Financial Capability Framework also incorporates 'Ease and Accessibility of Financial Products and Services', which acknowledges that a person's financial capability, and consequently financial wellbeing, is influenced by the inclusivity of the mainstream financial system. Financial inclusion will be a key priority of the final Strategy.

B.3 Financial Wellbeing Staircase Model

The Financial Wellbeing Staircase was seen by most respondents as too simplistic to be used as an analytical model, but may be useful as a communications tool.

Response:

We are grateful for the feedback provided on this model, and have taken on board all points raised. Overall, respondents felt that the model has limitations as an analytical tool due to the complexity of a person's sense of financial wellbeing, but can be a useful tool for communicating the key principles of the concept succinctly.

In line with this feedback, the model will only be used as a communications tool in future, and will not form part of the approach for measuring and assessing the impact of the Strategy.

B.4 Influencing Social Norms

Many respondents believed that influencing social norms is potentially the biggest challenge faced by the Strategy, but fundamental to its success. Solutions need to be innovative, extensive and involve many organisations from different sectors.

Response:

We agree that influencing social norms is a huge and ambitious challenge, requiring the collective impact of the financial capability sector. To make an impact over the course of a multi-year strategy, further consideration of ways to influence social norms is required by each of the Action Groups.

In the delivery of the UK Strategy, the Action Groups for each theme will be important forums to share insights and co-ordinate messages to different groups, maximising the opportunity to change behaviours and shift social norms in the longer-term.

Ref. Feedback and Responses

B.5 Building Resilience

Respondents highlighted that the Strategy needs to make people of all ages aware of the need to build resilience against unplanned 'financial shocks'.

Response:

We agree that making people of all ages aware of the need to build resilience against unplanned 'financial shocks' is a fundamental aspect of the Strategy. To reflect this in the draft Strategy, we previously included 'Building Resilience' as one of the behavioural domains.

In response to the feedback, we have introduced a number of changes to the Strategy, including the splitting of 'Building Resilience' into smaller day to day financial resilience, such as creating a savings buffer, and more significant financial resilience for major life changes, such as taking out insurance policies for income protection during serious long term illness.

The first aspect of building resilience is now covered within the behavioural domain 'Managing money well day to day' to emphasise that this should be a core part of how people manage their money on an ongoing basis. The second aspect of building resilience is now covered within 'Preparing for and managing life events (incl. planned and unplanned)'.

B.6 Life Events

A framework for structuring interventions around key life events (planned and unplanned) was requested by various respondents.

Response:

Various respondents specifically requested the inclusion of 'life events' into the Strategy to provide a framework for structuring key interventions over the course of a person's life. In response to this, 'Preparing for and managing life events (incl. planned and unplanned)' has been introduced as a 'behaviour domain' within the Strategy framework.

A number of respondents also provided specific examples of life events which they felt should be targeted by the Strategy - these included higher education and/or transition to working age for 16-24 year olds, becoming a parent, separation and divorce, and retirement. These ideas will be used as an input to the development of the action plans.

C - Priority Areas

C.1 Working Age People

Respondents felt strongly that the draft Strategy did not sufficiently cover the working age population, including those who are 'making ends meet' and those with dependent children.

Response:

The draft Strategy included a theme on 'Planning for Later Life'; this focused on working age people but was limited to preparing for retirement.

In line with the feedback, we have introduced 'Working Age People' as one of the Life Stage pillars within the Strategy Framework. This sits between 'Children and Young People' and 'Older People in Retirement' in order to provide full life coverage by the Strategy framework.

C.2 Vulnerability

Many respondents felt that issues affecting people in vulnerable circumstances were not sufficiently acknowledged or addressed by the draft Strategy.

Response:

We agree that the Strategy needs to engage with and address the additional challenges and barriers to financial capability that stem from vulnerable circumstances.

To provide a clearer focus, this document sets out the approach the UK Strategy will take to identifying and prioritising individuals in vulnerable circumstances - notably, building upon the recent consumer vulnerability research conducted by the FCA.

The newly-formed Action Groups – covering the three Life Stages, the devolved nations and people with financial difficulties – will each be required to address the needs of people in vulnerable circumstances. This will be formalised within the Terms of Reference.

The Action Groups will define action areas and activities for implementing the Strategy. These will include focus on understanding and addressing specific challenges that people in vulnerable circumstances face, in relation to becoming financially capable. These action areas will be informed by the FCA's work on consumer vulnerability.

Members of the Action Groups will be responsible for acting as visible leaders in delivering against these actions.

A number of respondents highlighted specific vulnerable groups to be considered within the Strategy. These will be used as an input to the Action Group work.

Ref. Feedback and Responses

C.3 Evidence and Evaluation

Overall, respondents were very supportive of including evidence and evaluation as a priority area, particularly in respect of having standard assessment tools.

However, clarification was requested regarding: flexibility of the approach to avoid creating a 'one-size fits all' framework; resourcing implications and solutions; sharing valuable insights from 'failures' as well as 'successes'.

Response:

We welcome the support expressed for this strand of the Strategy, and agree with respondents that the evaluation frameworks and toolkit must be flexible and adaptable in order to ensure they can assist the development of meaningful, tailored evaluation approaches for stakeholders' specific projects. We have developed our approach with this principle in mind.

One of the drivers for the creation of a common toolkit – in addition to the value of increased consistency and comparability in evaluation activity – is that it will help to reduce the resources required for the development of evaluation approaches. However, we recognise that a lack of resource can significantly constrain evaluation at the data collection and analysis stages as well. It will be important to ensure that evaluation activity is proportionate to the level of resource available for the project as a whole, and targeted at interventions around which we only currently have limited evidence. We will also be working with funders and commissioners to encourage them to build a consideration of evaluation into their funding arrangements, and to support the development of an environment in which learning about what hasn't worked is treated as valuable insight which can be shared openly by providers, without fear of losing their funding as a result.

Ref.	Feedback and Responses
D – Specific Points on the Strategy	
D.1	<p data-bbox="268 367 1011 398">Financially capable behaviours of children and young people</p> <p data-bbox="268 427 1246 488">Financially capable behaviours, particularly for children and young people, should include skills needed now and also later in life.</p> <p data-bbox="268 533 395 564"><i>Response:</i></p> <p data-bbox="268 593 1278 779">We fully agree with this point. The mind is highly malleable in the early years - learning and behaviours that are firmly ingrained become habitual, whilst those that are not are likely to be lost. Focus for children and young people, therefore, must be on forming positive financially capable behaviours to support them throughout their whole lives, by developing skills needed now - to ingrain the learning and behaviour - and also later in life.</p> <p data-bbox="268 808 1238 869">Understanding cognitive development in children will be key to defining targeted and effective action plans for implementing the Strategy.</p> <p data-bbox="268 898 424 929">For instance:</p> <ul data-bbox="268 958 1289 1294" style="list-style-type: none">● By the age of three, a child's brain has reached over 80% of its adult size and the child becomes receptive to the concept of money.● By seven, attitudes and habitual responses have been shaped, such as whether in the future we avoid paying bills or whether we see money as an enabler.● By the age of 11, the ability to take personal responsibility for behaviour has largely been set.● It is important to engage with these issues before adolescence, as the brain reorganises itself and discards weakly developed connections - approximately 50% remain throughout adulthood.

Ref. Feedback and Responses

D.2 Parents and carers

The Strategy needs to target parents and carers in tandem with children and young people due to their strong influence on behaviours during a child's development.

Response:

Parents and carers are incredibly important influencers to a child. Whilst this is particularly true up to the age of seven when children are most receptive to their advice, this continues throughout adolescence. For example, 91% of 15-17 year olds find their parents' advice on money most helpful.

Additionally, US research showed that the most financially capable college students were those whose parents modelled financially capable behaviour, provided the opportunity to experience money management, and most significantly provided money advice and talked openly about money. This parental influence was found to be one-and-a-half times stronger than financial education, and twice as strong as the influence of peers.

The Strategy framework addresses this in two ways. Firstly, the Action Group for the Children and Young People pillar will target parents and carers as key messengers. Secondly, the Action Group for the Working Age People pillar will include key aspects of parenting within both the 'Managing money well day to day' and 'Preparing for and managing life events' behavioural domains.

Under the Children and Young People pillar, the Money Advice Service will be running a set of parenting pilots from August 2015, which will run for one year. These will test and provide evidence of the impact and cost effectiveness of using parents and carers as a means to improve child financial capability. The results of these pilots will be shared across the sector.

D.3 **People on lowest incomes preparing for later life**

The Strategy should acknowledge and address that it is not possible for those on lowest incomes to save for later life. For some, good planning will not help them make ends meet if they experience significant shocks pre or post retirement.

Response:

We agree that people on the lowest incomes faces significant challenges in saving for later life. The Strategy will therefore prioritise supporting this vulnerable group in two areas, described below.

Ease and accessibility of financial products and services (external)

The Action Groups will develop programmes of work focused on addressing the problems of financial exclusion, such as improving access to more affordable credit for people on low incomes to avoid the reliance on high cost payday loans.

Financially capable behaviours (internal)

The three financially capable behaviour domains - managing money well day to day, preparing for and managing life events, and dealing with financial difficulties - are focused on embedding positive behaviours that help people improve their financial situation over the course of their lives.

While this is more difficult for those on low incomes, there are a number of ways that many people could improve their ability to prepare for later life, including:

- creating and following a realistic personal budget
- maximising take up of available benefits, such as pension credit
- taking out a pension
- avoiding expensive debt by making more informed spending and credit decisions
- taking out policies, such as insurance, to mitigate the risk of financial shocks
- avoiding taking out unnecessary or duplicated policies
- making a will and nominating a Power of Attorney

Ref. Feedback and Responses

D.4 Financial scams and financial abuse

The Strategy should look to improve resilience to financial scams and financial abuse, particularly amongst older people.

Definitions:

Financial scams are targeted campaigns by third parties with the purpose of deliberately misleading or defrauding people.

Financial abuse is the deliberate use of power or control by one person over another in relation to financial matters, resulting in financial detriment of the victim.

Response:

Thank you to those respondents who highlighted this point. We fully agree that these are very important issues which need to be prioritised within the Strategy.

While financial scams and abuse can affect anyone, it is recognised that elderly people, particularly the 'older old', can be more vulnerable than most and often lose the most money.

However, anybody whose circumstances leave them reliant on others for assistance with, or access to, their finances are at risk of financial abuse. Additionally, those with low financial capability or in vulnerable circumstances are especially at risk from financial scams.

These issues will feed into the Older People in Retirement Action Group due to the particular vulnerability of older people to financial abuse and scams. However, as these can affect people in all stages of life, programmes led by the older people Action Group in this area will be co-ordinated with the Action Groups for Working Age People, Children and Young People and Financial Difficulties to ensure all types of people are considered.

D.5 Improving consumer support

Within the area of Ease and Accessibility, various respondents highlighted that they would like to see greater collaborative work between financial services providers and other sector participants to improve support for consumers.

Response:

We agree that greater collaboration is needed to improve how consumers are supported. The new Action Groups will include organisations from different sectors, such as financial services, to encourage greater collaboration and innovation in how consumers are supported.

Suggested activities and specific actions

The consultation responses also provided some very helpful suggestions for activities and specific actions that should be included within the action plans. We would like to thank all participants for their suggestions. We have captured all these within each priority area and our intention is to use these as inputs to the upcoming Action Groups. These Action Groups will focus on developing specific activities and more detailed action plans for each priority area, to be published in the final Strategy document.

Feedback

This document aims to reflect all the high-level feedback received from the consultation. If you believe we have missed a key strategic point within this document, please get in touch with the Money Advice Service who can provide direct feedback on how your response was integrated or taken into consideration.

Appendix 2

The Evolution of Financial Capability in the UK

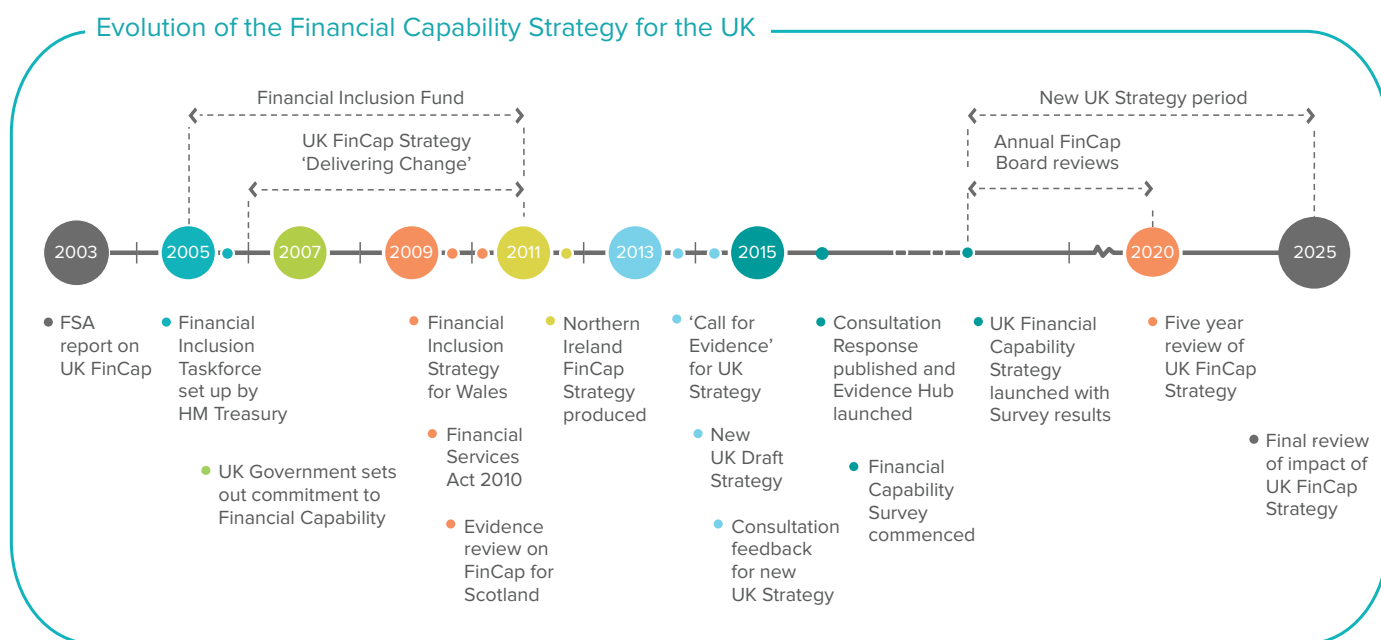


Appendix 2

The evolution of financial capability in the UK

The Financial Services Authority (FSA) started the UK's engagement with financial capability in 2003, with their report *'Towards a national strategy for financial capability'*⁴⁸. This was followed by the UK's first Financial Capability Strategy *'Delivering Change'* published in 2006, which had an intended five-year timespan. Its objective was to develop informed, confident consumers who were better able to take control of their finances.⁴⁹

Figure 8.1: Evolution of the Financial Capability Strategy



In 2007, the UK Government set out its commitment to financial capability and commissioned an independent review. This was released in 2008, and made the case for a national financial capability service.⁵⁰

The Financial Services Act 2010 included a provision for the FSA to establish a body to continue their work around financial capability.⁵¹ The body established was the Consumer Financial Education Body, renamed the Money Advice Service, and was given statutory objectives to:

- Enhance the understanding and knowledge of members of the public of financial matters (including the UK financial system); and
- Enhance the ability of members of the public to manage their own financial affairs.

48. FSA, 2003. *Towards a national strategy for financial capability*. http://www.fsa.gov.uk/pubs/other/financial_capability.pdf.

49. FSA, 2006. *Financial Capability in the UK: Delivering Change*. March 2006. http://www.fsa.gov.uk/pubs/other/fincap_delivering.pdf.

50. HM Treasury 2008, *Thoresen Review of Generic Financial Advice: Final Report*. March 2008.

http://webarchive.nationalarchives.gov.uk/+/http://www.hm-treasury.gov.uk/media/8/3/thoresenreview_final.pdf.

51. Financial Services Act, 2010. http://www.legislation.gov.uk/ukpga/2010/28/pdfs/ukpga_20100028_en.pdf.

Financial capability and inclusion have also developed within the devolved nations, including a draft Northern Ireland Financial Capability Strategy contained in the Programme for Government 2011-15,⁵⁵ a Financial Inclusion Strategy for Wales produced in 2009,⁵⁶ and an evidence review on financial capability produced by the Scottish Government in 2010.⁵⁷

57. Edinburgh Napier University and Scottish Government, 2010. *Financial Capability- Evidence Review*. July 2010. <http://www.gov.scot/resource/doc/304557/0102282.pdf>.

Appendix 3

Financial Capability Concepts and Models



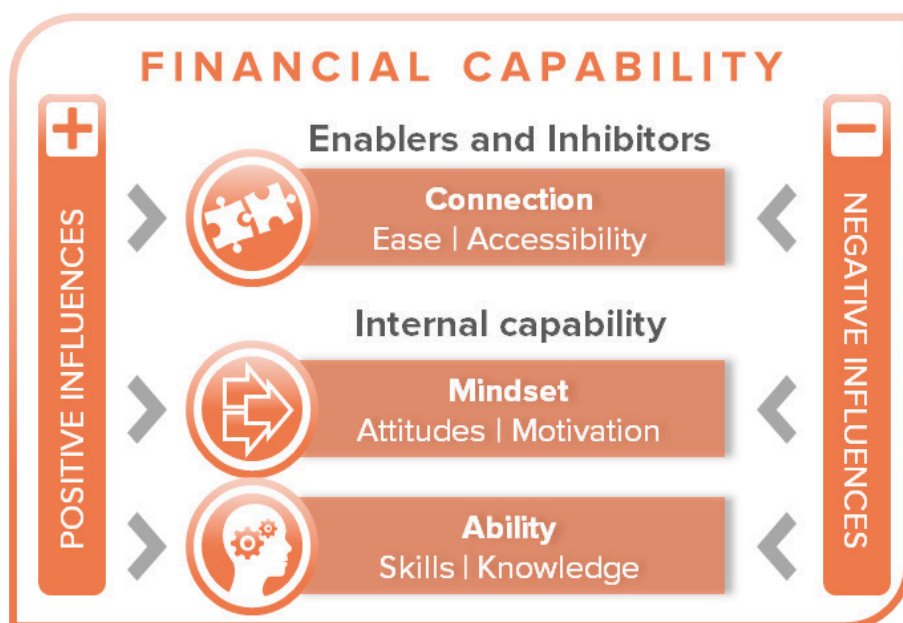
Appendix 3

Financial Capability concepts and models

The Financial Capability Framework

Financial capability is made up of: internal capability (ability and mindset), enablers and inhibitors (connection), and positive and negative influences. See Figure 9.1 below.

Figure 9.1: The Financial Capability Framework



Ability

- **Skills** include the cognitive or emotional skills people need to engage with financial management processes, including applied numeracy, literacy, digital literacy, problem solving and communication.
- **Knowledge** is defined as the knowledge and awareness required to effectively access financial markets and information sources, and to make good financial decisions appropriate to an individual's situation. It includes understanding financial products, concepts and services as well as people's understanding of their own financial situation.

Mindset

- **Attitudes** are an expression of underlying beliefs that may influence behavioural intention. They include financial attitudes (e.g. about the value of saving for a rainy day) as well as more general attitudes that a person holds about themselves (e.g. confidence).
- **Motivation** refers to the conscious and unconscious brain processes or ways of thinking that direct and energise behaviour and include things such as goals, aspirations and self-control.

Connection

Connection covers the **ease and accessibility** of financial products, services and information, and includes:

- physical access (e.g. geographic, technology-based, those relating to the built environment),
- social access (e.g. social networks which determine what kind of informal finance advice a person might be exposed to and therefore may affect levels of skills and knowledge), and
- other access barriers (including those that might relate to a person's linguistic and cognitive ability or a physical or sensory impairment).

Influences

Positive and negative influences include:

- social norms, which are a key driver of mindset (e.g. the normalisation of debt or commercial advertising, which encourages a culture in which people feel they are defined by what they consume and buy), and
- individual level influences (e.g. 'pester power' of children, or peer pressure to consume or save in a certain way).

Whilst the application of these concepts is most relevant for adults, or independent younger people who are responsible for their own money, the primary focus for children and younger people is to develop and embed financial capability to prepare them for gaining financial responsibility.

Financial means and pressures

Financial means are the financial resources that an individual (or household) has at their disposal and which they use to cover their everyday financial costs, as well as cope with unexpected or expected larger expenses. These include: income, savings, other assets, and affordable credit products. Means have a large influence on financial wellbeing; research consistently identifies that temporary or longer-term lack of financial resources are a key reason for poor financial wellbeing.

Financial pressures refers to the financial responsibilities that an individual (or household) has to meet using their financial means. Pressures can also be perception, such as a person believing they are at greater risk of losing their job due to prior negative experience of redundancy, and so feel pressure to build a larger savings buffer.

Financial means and pressures are not directly within the scope of the Financial Capability Strategy, due to their significant dependency on factors that are external to the person and may be out of their control, such as the national minimum wage and taxation. Instead, the focus of the Strategy is on helping people to develop the financial capabilities necessary to build the best possible quality of life within their financial means and pressures, both in the short and long term, and to help them understand what behaviours they can embed to help positively influence their financial means and pressures. This could include understanding how they can maximise their income and reduce their day to day costs, how they can access affordable credit and avoid paying high interest rates, and how best to save money for significant life events, such as having children.

Financial wellbeing

Financial wellbeing is a measure of an individual's (or household's) overarching financial situation, taking into account objective elements, such as level of savings held and ability to pay bills on time, and more subjective dimensions, such as how frequently a person worries about money and how positive they feel about their current and future financial situation.

Financial wellbeing is driven by a combination of behaviour and the interaction of financial means and pressures. There is no one level of financial wellbeing that is achievable for all people, and financial wellbeing is not always a direct result of financial behaviour.

Appendix 4

Consolidating the Previous Financial Capability Models and Concepts



Appendix 4

Consolidating the previous Financial Capability Models and Concepts

Figure 10.1: Consolidating the Financial Capability Models and Concepts

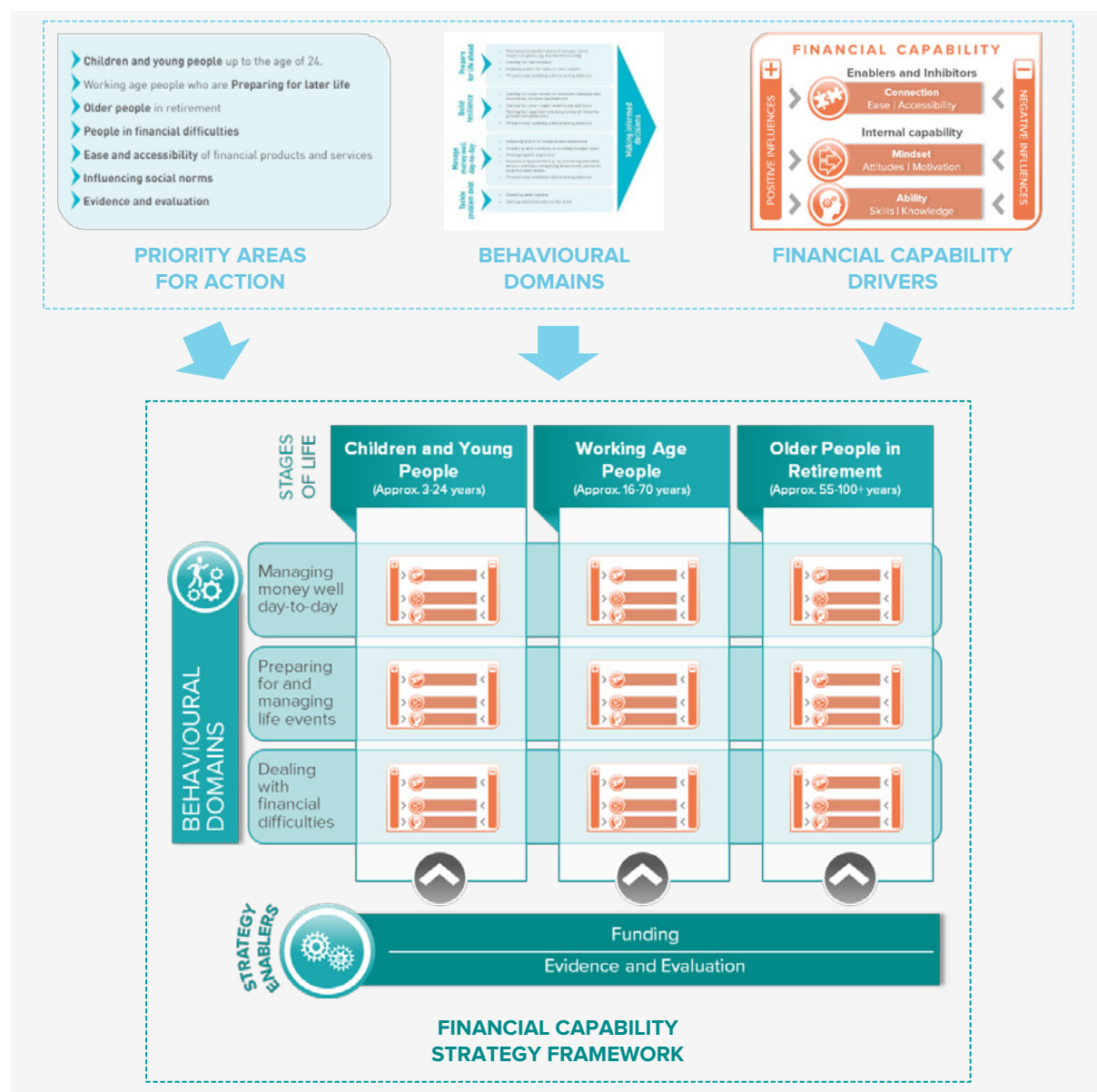


Figure 10.1 shows how the three models from the draft Strategy document that have been consolidated to form the new overarching Strategy Framework, as follows:

Priority areas for action (left)

- The first three priority areas represent life stages and so we have used these to form the pillars of the Strategy Framework. The age ranges for each stage of life overlap to reflect that people typically experience a period of transition between the stages. We have also changed ‘Working age people who are preparing for later life’ to ‘Working Age People’ to avoid placing the focus purely on pensions and long-term savings.
- ‘People with financial difficulties’ has been replaced with the behavioural domain ‘Dealing with financial difficulties’, which cuts across all Life Stages. We have therefore included this as a horizontal within the framework.
- ‘Ease and accessibility of financial products and services’ and ‘Influencing social norms’ are both elements of the Financial Capability Framework model (left), and have therefore been embedded within the overarching Strategy Framework rather than forming a priority in their own right.
- ‘Evidence and evaluation’ is fundamental in supporting the overall framework and so we have shown this as an enabler of the framework.
- ‘Funding’ was introduced into the framework as an enabler. This was highlighted within the consultation process as a significant challenge to the sector and, like ‘Evidence and evaluation’ fundamental in supporting the overall framework.

Behavioural domains (centre)

- As described within Section 3.1 of the main document, we have updated the behavioural domains based on feedback from the consultation process. These domains are included within the frameworks as horizontals that cut across all life stages.
- The previous behavioural domain model included defined behaviours within each domain. These are in the process of being revised to align with the new Strategy Framework and will be included within the final Strategy document.

Financial Capability Framework (right):

- This model defines financial capability and is therefore the key driver of the Strategy. To reflect this, the model is embedded throughout the Strategy Framework.

Appendix 5

Mapping the Financial Capability Landscape



Appendix 5

Mapping the Financial Capability Landscape

Introducing the landscape

We have conducted an exercise to create a consolidated view of all the organisations directly involved in the UK financial capability sector. The purpose of this landscape analysis – which will be maintained by the Money Advice Service – is to act as a resource for supporting better co-ordination and collaboration across the sector. It highlights the sheer scale and complexity of the sector, which this Strategy represents.

What the landscape tells us

We have currently identified and categorised more than 250 organisations directly participating in the UK financial capability sector. The sector is large, diverse and complex. There is already a lot of good work being carried out by organisations across the UK, ranging from major UK-wide advice and support networks, such as the Money Advice Service and Citizens Advice, to targeted organisations supporting specific groups of people, such as Age UK, Toynbee Hall and Young Enterprise.

The Financial Capability Strategy for the UK will help the sector to become more collaborative, with a shared set of objectives and aspirations for the UK population around financial capability. This will involve creating a greater understanding of what projects and techniques are most effective –supported by the evidence hub – and creating greater visibility of the landscape to encourage stronger networks and partnerships.

The landscape can be used to identify groups of similar organisations for analysing the make-up of the sector.

Criteria for segmenting the landscape currently include:

- Primary purpose of organisation – e.g. commercial/private Sector, think tank etc.
- Vulnerability or niche focus – e.g. low income and poverty, bereavement etc.
- Life Stages coverage – i.e. children and young people, working age people and older people in retirement
- Devolved nation coverage – i.e. England, Northern Ireland, Scotland and Wales
- Sector role – as described with Section 2.3



**Financial Capability
Strategy** for the UK

fincap.org.uk

March 2015