



Consultation: Draft UK Financial Capability Strategy

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Our (PID) reference number: 20010

Background

The General Consumer Council for Northern Ireland (the Consumer Council) is an independent consumer organisation, working to bring about change to benefit Northern Ireland (NI) consumers. Our aim is to *'make the consumer voice heard and make it count'*.

We have a statutory remit to promote and safeguard the interests of consumers and have specific functions in relation to energy, water, transport and food. These include considering consumer complaints and enquiries, carrying out research and educating and informing consumers. In addition, from April 2014, we have taken on responsibility for representing consumers in respect of postal services in NI.

The Consumer Council is also a designated body for the purposes of supercomplaints, which means that we can refer any consumer affairs goods and services issue to the Competition and Markets Authority, where we feel that the market may be harming consumers' best interests. In addition, we have 'supercomplainant' status for financial services, with powers to bring supercomplaints on financial matters to the Financial Conduct Authority (FCA).

In taking forward our broad statutory remit we are informed by and representative of consumers in NI. We work to bring about change to benefit consumers by making their voice heard and making it count. To represent consumers in the best way we can, we listen to them and produce robust evidence to put their priorities at the heart of all we do.

Introduction

The Consumer Council welcomes the opportunity to contribute to the consultation for a Financial Capability Strategy for the UK.

The Consumer Council leads the Financial Capability Partnership NI (the Partnership) which brings together representatives from Government, education, banks, building societies, credit unions and voluntary and community sectors to ensure that we all help and support consumers in NI manage their money and make it work best for them.

The Consumer Council would like to request clarification on how the draft UK strategy sits alongside the Financial Capability Strategy for NI, entitled 'Taking control – A Financial Capability Strategy for Northern Ireland'.

The sets of priorities in terms of groups and actions are entirely different, which may lead to confusion for NI organisations working on Financial Capability (such as ourselves and members of the Partnership) in terms of the work they are doing and groups they are working with. To put this in context, please refer to the following table:

NI Financial Capability Strategy Priorities	UK Financial Capability Strategy Priorities
Financial Inclusion	Children and young people
Financial Capability Issues arising from the introduction of Welfare Reform	Preparing for later life
Rural Exclusion	Older people
Adult education and preparing youth for employment	People in financial difficulties
	Ease and accessibility
	Influencing social norms
	Evidence and Evaluation

The UK draft strategy does not make reference to the various regions in the UK, and the different strands or programmes of work that are going on in these areas. NI has historically been found to have the lowest levels of Financial Capability in the UK; and it is important to note that each region will have very different needs.

The Consumer Council has recently conducted research on how NI consumers are coping financially. The results show that consumers here continue to feel the effects of a deeper and longer recession than other parts of the UK, less than a quarter say their financial situation is better than it was two years ago and almost a third say they are worse off. 70 per cent say they are not seeing the green shoots of recovery, 43 per cent have ran out of money at least once in the last two years and only 54 per cent are keeping up with their bills and commitments without difficulty¹.

¹ Consumer Council 'Consumer confidence' Tracking Research 2014

The future needs of consumers here, coupled with a changing economic and financial landscape will mean that areas such as NI will need an approach that will address their specific financial capability issues and challenges. It is important, therefore, that the strategies support one another, either by operating in parallel or through one dovetailing the other, so that confusion arising out of the two different sets of priorities is kept to a minimum and that the strategies can demonstrate that they are working to common aim.

Taking this into consideration the Consumer Council would like ask the policy team the following questions:

- Can the two strategies run simultaneously?
- Will the Money Advice Service (MAS) show how they plan to deliver their services in line with priorities set out in the NI Strategy?
- How can organisations strive to work towards both strategies and action plans?
- Will the Strategy look at regional variations in financial capability levels and needs?

Priorities for action

The Consumer Council is pleased to see that certain priority issues have been addressed in the UK Strategy, such as ease and accessibility of financial products and services, influencing social norms and evidence and evaluation, and we believe this will only strengthen the Strategy.

Ease and accessibility of financial products and services

We are pleased that the draft Strategy has taken into account the ease and accessibility of financial products and services. This is an area of work that the Consumer Council has been focusing on for many years; we strive to improve consumer understanding and accessibility by developing policy, carrying out research and running information campaigns on financial capability, inclusion and financial markets such as banking and insurance. The Consumer Council is committed to driving change to benefit all consumers and making sure they get the best deal possible from banks and building societies, as well as working with government and stakeholders to ensure that consumers have access to appropriate financial products and services.

Financial inclusion continues to be a priority area of work for us due to the changes in the banking landscape, including the increase in on-line banking and the decrease in the number of bank branches. By the end of 2014, 67 branches (27 per cent) of the big four banks will have closed throughout NI, and there are further closures on the horizon. Figures from the banks show that branch banking is in decline, with consumers

choosing to bank through mobile or internet apps. Yet our research shows² that despite the number of banking services that are provided via telephone and online, branch usage is still high. A sizeable proportion of people in NI say they are still using branches on a regular basis, with 68 per cent of consumers here visiting a branch of a bank at least once per month.

Consumers in NI currently lag behind the rest of the UK in terms of online usage, with 51 per cent of people (compared to the UK average of 57 per cent³) choosing to bank in this way. Banks giving up their high-street presence leaves NI consumers with less choice, and those with a disability, on lower incomes or who are not able to use telephone and internet banking could be affected financially. Having to travel further to avail of services could mean that opportunities for consumers to make their money go further are restricted⁴. With many areas losing access to banks there is a need to consider how access to financial services is maintained.

Later this year we will be undertaking work to further research the impact of bank branch closures and examine the role post offices and credit unions can play in tackling financial inclusion. We will be proposing solutions to the problem of access to financial services and would be happy to share our expertise with MAS to contribute to the overall aim of enabling better access to appropriate and easy to use financial services and advice.

² Consumer Council Consumer Confidence Research 2014

³ Ofcom Study, Internet use and attitudes 2014

⁴ The Price of Being Poor, The Consumer Council, June 2011

Preparing for Later Life

The Consumer Council is of the opinion that the priority group referred to as (working age people) **Preparing for later life** could be misleading, and without the clarification in parenthesis it might make one think about people who are nearing retirement age. It may not be completely clear that this priority group is aimed at working age people, and is important to note that this demographic may be going through many life stages and events, such as buying their first house, getting married or starting a family. Our research has shown that only 47 per cent of those aged 25-34 always make sure they have money saved for a rainy day, compared to 69 per cent of those aged 50 and over. Similarly, only 29 per cent of 25-34 year olds could easily afford to repair or replace an expensive household item such as a washing machine or fridge freezer, compared to half of those aged 50 and above⁵. This group will not only require the skills to prepare for later life, but also to prepare for unforeseen expenditure and adjust to changes in financial circumstances, and the Consumer Council believes that this title and priority category should reflect that.

Evidence and Evaluation

The Consumer Council welcomes the work that the Money Advice Service is doing to design a common evaluation framework that can be adopted by organisations delivering financial capability interventions. This will allow organisations like the members of the Partnership to

⁵ Consumer Council Consumer Confidence Research 2014

better understand what is working well and to adopt a common and coherent approach that has been developed through work with a wide variety of organisations delivery financial capability interventions.

As previously mentioned, the Consumer Council carries out research on consumer confidence twice per year to see how NI consumers are coping financially, and to identify their main concerns regarding expenditure. We plan to use this research to inform our future work and identify priorities, and we would be happy to share this information with MAS to feed into the UK evidence base.

Resources and service delivery

The Consumer Council has found through various projects, and through our work leading the Partnership, that practical hard copies of resources such as budget planners and spending diaries provide a logical and practical means of explaining and encouraging action on money management. Notwithstanding other service delivery methods, we would strongly recommend the use of practical resources, such as spending diaries, as they have been shown to work well in NI amongst groups and individuals as an aide memoire for financial capability interventions. A wide variety of channels are used by consumers to access information and advice on financial issues, and it is important MAS considers what works best for consumers regionally, and supports development of these resources.

The role of the Consumer Council

Improving the financial capability of the UK will require combined effort and commitment from many stakeholders over a long period of time. The Financial Capability Partnership (led by the Consumer Council) is made up of organisations from the education, community, voluntary, public and private sectors that have been working together to support and educate consumers in NI about financial management for six years, and is a key example of a model of best practice in partnership working. Taking this into consideration, we believe that linking to an already well established and collaborative group such as the Partnership would be beneficial to MAS and other stakeholders involved in the UK strategy. We would be delighted to work with MAS to use the Partnership as a delivery channel for some of the implementation of the draft UK Strategy. We believe that the existing reputation and reach of many of the Partnership organisations individually and collectively could save MAS considerable time, money and resources. This would be particularly prudent given economic circumstances, pending budget cuts across Government, and drive for efficiency in public spending.

As many of the recommendations for action set out in the draft strategy require assistance and support from other organisations, the Consumer Council would like to see MAS and other stakeholders working with the Partnership as a collective unit, and believe this could be of significant benefit to the Strategy, its action plans, and ultimately to the NI consumer who will see an improvement in their financial capability.

We note that in terms of going forward, the UK Strategy states that other organisations with a significant bearing on financial behaviour, such as the utility companies, will need to do more to consider the impact of their policies and consider the scope to make changes to encourage more financially capable choices. The Consumer Council has the statutory remit to represent and defend NI consumers' interest in the formulation and implementation of electricity and gas policy, with a particular interest in vulnerable consumers. This extends to dealing with electricity and gas complaints.

Since 2010 we have worked closely with the Utility Regulator, DETI and energy companies to ensure that the implementation of the IME3 set of Directives and Regulations delivered in its promise, amongst others, to increase protection for consumers.

In particular we have helped deliver a comprehensive set of Codes of Practice that increase consumers' rights and protection in key areas such as:

- Payment Methods;
- Identifying and protecting customers in Debt;
- Free services for vulnerable consumers;
- Additional services for Pre Payment Meter customers
- Efficient use of electricity and gas to help reduce consumption;
- and
- Sales and marketing practices.

During the remainder of 2014 and 2015 the Consumer Council, along with the Utility Regulator and energy companies, will help develop a framework to monitor compliance with key licence conditions for consumers and Codes of Practice, and would be happy to brief MAS on our work to date to avoid duplication.

The Consumer Council will continue to lead the Financial Capability Partnership, delivering practical initiatives individually and collectively to improve the levels of financial capability and inclusion in NI, ensuring consumers here have the skills to better manage their money.

If you wish to discuss any aspect of this response in more detail please do not hesitate to contact Rachael Cray on 028 90 674 809 or via email on Rachael.Cray@consumercouncil.org.uk

Yours Sincerely,

A handwritten signature in dark ink, appearing to read 'Aodhan O'Donnell', with a stylized, flowing script.

Aodhan O'Donnell

Interim Chief Executive



The Consumer Council

Making the consumer voice heard and making it count

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