

Citizens Advice Scotland

Scottish Association of Citizens Advice Bureaux
www.cas.org.uk



Financial Capability Strategy for the UK

Response from Citizens Advice Scotland

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October 2014

- Citizens Advice Scotland and its member bureaux form Scotland's largest independent advice network. CAB advice services are delivered using service points throughout Scotland, from the islands to city centres.
- Citizens advice bureaux in Scotland helped clients with over 550,000 new issues in 2013/14 – more than 1,500 new issues for every day of the year. Nearly 200,000 clients brought new issues to a bureau over the year.

Introduction and Background

Citizens Advice Scotland (CAS) is the umbrella organisation for Scotland's network of 81 Citizens Advice Bureau (CAB) offices. These bureaux deliver frontline advice services throughout more than 250 service points across the country, from the city centres of Glasgow and Edinburgh to the Highlands, Islands and rural Borders communities.

Debt and money advice are key components of the advice that is offered by citizens advice bureaux. In 2013/14, citizens advice bureaux dealt with 19,559 new debt cases with a combined total debt worth £175 million. The average debt for a debt client was £8,945, while the client financial gain as a result of debt advice was over £52 million. 194 paid staff provided dedicated debt and money advice in 2013/14.

The Scottish Government funds Citizens Advice Scotland and Money Advice Scotland, jointly as the Money Advice Training Resources Information and Consultancy Services (MATRICS), which provides second tier support to debt advisers. The overarching aim of MATRICS is to achieve a skilled money advice workforce that gives quality advice. The service has been successful in enabling agencies to deal with more complex enquiries, increasing the number of money advisers, raising standards in the sector, and in promoting links to other financial inclusion initiatives.

From 2011, the Scottish CAB Service started working with the new Money Advice Service to deliver face to face Money Advice Sessions across Scotland, to help everyone make the most of their money.

Summary of our response

Citizens Advice Scotland welcomes the development of the Financial Capability Strategy for the UK. The priorities, objectives and proposed activities in the Strategy would make a positive difference for many people who currently experience financial difficulties. A summary of the key points in our response is below:

- **Financial Capability in Scotland:** the context of financial capability in Scotland differs from that of the rest of the UK and could be used for examples of good practice in the Strategy. The Curriculum for Excellence already promotes financial capability in Scottish schools, while the Scottish Government is setting up a 'Financial Health Service' which places emphasis on financial education. Scotland also has a distinct system of debt solutions which allow debtors to resolve their debt problems.
- **Priority groups:** we agree with the priority groups and issues proposed in the Strategy. However, there are other groups, particularly those of working age, who could be prioritised. This includes the growing group of households who are in work, but are still in relative poverty ('the working poor'). Another group could be those with disabilities or health conditions (particularly those affected by welfare reforms) who may need different forms of financial support and are likely to have a lower financial wellbeing than other groups.

- **Universal Credit:** the impending roll out of Universal Credit also has relevance for the Financial Capability Strategy. Monthly payment of benefits to a single account, and housing costs paid directly to tenants, may cause problems for claimants who are accustomed to budgeting on a weekly or fortnightly basis. These are claimants who are likely to already face cuts in entitlement due to welfare reform. Social housing tenants may therefore be a key group that needs support with financial capability over the lifetime of the strategy.
- **Life events:** This is a cross-cutting theme across the strategy and it is important that financial capability support is available across all key life events/transition points, as consequences of poor decisions at these points may be far reaching.
- **Product and services:** there should be a greater onus placed on the financial services industry to ensure that their products and services are clear and straightforward to ensure that consumers are able to make an informed decision

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

We believe that the strategy should cover at least the next five years. This should include a review half way through this period and at various stages to ensure that the actions developed as part of the strategy remain relevant and targeted.

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

The factors identified in the framework are useful in understanding the way in which an individual's financial capability is influenced. However, the diagram was seen as a little confusing by some advisers.

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

CAS agrees with the objectives identified in the Financial Capability Strategy.

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

The financially capable behaviour domains are useful in understanding financial capability, although a 'learning domain' could be added for children/young people who are not yet living independently.

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

Financial wellbeing is a useful measure in determining how well consumers are coping with their finances. As such, it is important that financial wellbeing is tracked so that policy can be better targeted at those who are struggling.

However, there are a number of factors other than financial capability which influence financial wellbeing. For example, a stable and sufficient income is the key determining factor in financial wellbeing, which is dependent on an individual's employment status or benefit entitlement. The individual may be very financially capable, but have poor financial wellbeing due to unstable employment (such as a zero hours contract) or a reduction in their benefit entitlement. Financial wellbeing could therefore be an inaccurate measure for financial capability as there are too many external factors that influence this measure.

Consultation question 6: What are your views on the priorities for action that have been identified as a focus for the Strategy? Should any additional areas be added?

We agree with the priority groups and issues outlined as the focus for the Strategy. Children and young people should be a key focus of the strategy in the long-term, so we welcome the inclusion of this priority group.

While we agree with the groups and issues identified, there are other groups, particularly those of working age, who could also be prioritised. This includes the growing group of households who are in work, but are still in relative poverty ('the working poor'). Another group could be those with disabilities or health conditions (particularly those affected by welfare reforms) who may need different forms of financial support and are likely to have a lower financial wellbeing than other groups.

The impending roll out of Universal Credit also has relevance for the Financial Capability Strategy. Monthly payment of benefits to a single account, and housing costs paid directly to tenants, may cause problems for claimants who are accustomed to budgeting on a weekly or fortnightly basis. These are claimants who are likely to already face reductions in entitlement due to welfare reform. Social housing tenants may therefore be a key group that needs support with financial capability over the lifetime of the strategy.

A theme that cuts across the strategy, but which is not drawn out specifically, is the importance of key life events for financial capability. This includes events such as preparing for independent living for young people, buying a home, planning for children, preparing for retirement, and investing money. All key events should be covered by the Strategy. One key life event that isn't covered specifically is having children, which is probably the most expensive life event for many individuals.

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

We support the Strategy's focus on children and young people as a priority area, particularly its aim for children and young people to build financial capability towards financial independence.

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

There is a lack of focus on 18-24 year olds in the strategy, with most of the actions in this part of the strategy relating to children, school and parents. While it would be hoped that, in the long-term, young people develop financial capability at school which they then apply in independent living, in the short-term there are likely to be young people that have not developed financial capability while at school. The Strategy should have more recommendations for action for young people after leaving school, particularly around first homes, finding and maintaining employment, and starting university.

The recommendations for actions, for both children and young people, should include ways of encouraging peer support and learning, as peers are often a key influence on their behaviour and attitudes.

The Curriculum for Excellence in Scotland includes Financial Capability as a theme and should be viewed as an example of best practice in this area.

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

We support the Strategy's aim on preparing for later life, particularly given the upcoming changes to pensions.

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

We support the recommendations for action in supporting budgeting skills and encouraging working age individuals to save for retirement. However, income – or lack thereof – is often the determining factor of whether an individual is able to save for the future.

We believe that there should be an onus on financial services and the regulatory structure to provide clear and simple products that help individuals to make the right decisions in preparing for later life.

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

We support the Strategy's aims for older people.

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

In our experience, this client group can be among the most difficult to reach and are more likely to try to cope than seek advice. It is important that a number of agencies are involved in supporting older people and sign-posting them to the right place. This should include trusted professionals, such as GPs, police and post offices.

For this age group, it is particularly important that they are supported to avoid scams and pressurised selling tactics that impact on their financial and general wellbeing. A number of initiatives are in place that seek to support older people in this area and this could be recognised in the Strategy.

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

We support the aims of making people more financially resilient and those who are in debt. Work in this area needs to be preventative to help individuals avoid falling into debt and ensure that those in debt are able to resolve their debt problems

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

We support the recommendations, many of which are already in place or are being worked towards in Scotland. For example, the debt solutions that are available to debtors in Scotland, including the Debt Arrangement Scheme (DAS) and low income routes to bankruptcy, have been successful in assisting people to resolve their debt problem.

We support the principle of providing money advice to debt advice clients, which is currently undertaken on behalf of MAS by the Citizens Advice Service in Scotland. A key part of this service is advice/intervention at key life periods.

Under the recent Bankruptcy and Debt Advice (Scotland) Act, the Scottish Government are introducing a 'Financial Health Service'. This aims to bring together different strands of help and assistance for debtors, with a key focus on financial education. This includes ensuring that those accessing bankruptcy undertake a financial education module to help them develop their financial capability skills and maximise their income. This approach could be referred to in the Strategy.

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

We support the Strategy's aims in relation to ease and accessibility of products and services. However, it is important that the Strategy puts an onus on industry to provide products and services that are appropriate and clear, so that consumers are not misled into using a product that they would not otherwise have chosen.

Consultation question 16: What is your view of the recommendations for action relating to the ease and accessibility of financial services? How could they be improved?

It is particularly important that financial services provide clear and straightforward products and services that do not mislead the consumer. If the financial capability of consumers is important, then the clarity of the products and services that they are offered is equally so. Consumers still face confusing and misleading advertising which can lead to financial detriment. For example, payday loan advertising continues to promote the speed of the loan rather than its costs, while bank overdraft terms are often far from clear. The financial services industry needs to provide products that promote financial capability rather than hinder it.

We support the action of ensuring accessibility to advice, which is something that the Citizens Advice service already strives to achieve. In 2013/14, the service in Scotland dealt with over 550,000 new issues through bureaux, over 50,000 cases through our Consumer Helpline, and had over 4.1 million unique page views on Adviceguide, our self-help website. Any proposals on accessibility to advice need to achieve a balance between self-help, face-to-face and alternative forms of advice.

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

We support the Strategy's aims in relation to influencing social norms, although we feel the strategy could be more ambitious in this area.

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

As mentioned in the actions for both children and young people, the strategy should include ways of encouraging peer support and learning, as peers are often a key influence on behaviour and attitudes.

The strategy could also include a focus on 'capable communities' where local areas and groups of people come together to improve local resilience and capability. In this respect, community groups may have a role to play in the financial capability strategy.

The 'industry norms' surrounding financial services may also be included in the Strategy, with an emphasis placed on responsible creditors and trusted financial services. A change in behaviour from financial services could influence the behaviour of consumers, and vice versa.

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

We support the aims relating to evidence and evaluation, particularly on the promotion and application of good practice. However, any evidence gathering needs to be proportionate and not too onerous, to ensure that advice and support is not hindered.

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

As outlined above, any evaluation and evidence requirements need to be balanced with the need to provide advice and services. If the requirements are too onerous, this may impact on the services provided.

We support the principle of monitoring based on the components of the financial capability framework. In practice, the monitoring of 'soft indicators' may prove to be difficult. For example, it is difficult to re-engage with clients after advice has been given, particularly if they have a chaotic lifestyle. It would also be difficult to evidence something that didn't happen due to the advice provided (such as bankruptcy).

As mentioned in Question 5 of this response, we believe that monitoring financial wellbeing is useful, although it may be an inaccurate measure for financial capability as there are many external factors, particularly income, that influence this measure.

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

The Citizens Advice Service plays a key role in advising and empowering hundreds of thousands of clients in Scotland each year. We would like to input our experiences and learning from this into further development of the Strategy.

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

The Citizens Advice Service in Scotland provides money and debt advice to tens of thousands of clients each year. This advice deals with the initial issue or problem, but also aims to empower the client to make good financial decisions in the future and to avoid the circumstances that led them to seek advice. We will continue to provide this important role and look at how we can play a role in the wider actions suggested in the Strategy.