



## **A4e Ltd response to the Consultation on the Draft Financial Capability Strategy for the UK**

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#### **Consultation Question 1: What time period should the Financial Capability Strategy cover?**

We feel that the Financial Capability Strategy should cover a 5 year period. This time frame would give those working in the Financial Capability sphere delivering the strategy sufficient time to implement the recommendations, monitor and evaluate the effectiveness of interventions and make any necessary amendments to further improve service delivery. If the Strategy was to extend beyond 5 years, there could be a risk that the priorities and recommendations become disengaged with the economic challenges and the situations faced by customers in real time. As such, we would recommend that as part of the 5 year plan there should be periodic reviews based on the data being collected, not only of priority groups but also of recommendations for action, to enable the Strategy to iterate to success.

#### **Consultation Question 4: What is your view of the financially capable behaviour domains?**

Overall, A4e supports this concept and believes that the four behaviour domains identified will encourage people to adopt more financially capable behaviours and as such improve their financial wellbeing. However, in order to fully support people to make informed decisions we propose a few recommendations. Firstly, given that most readers will approach this vertically from the top down we recommend that in order to reflect what we feel will be a customer's development of behaviours 'manage money well day-to-day' should become the first behavioural domain.

Secondly, we agree that 'proactively seeking advice and guidance' is of vital importance and as such needs to be encouraged as social norm and ultimately ingrained in behaviour. This could be achieved through creating more accessible advice and guidance services, including increasing the provision of support to more people through face-to-face guidance. This could be facilitated through a greater join up between the financial sector and advice and guidance services. For the most vulnerable service users this advice will often need to be ongoing and provide 'coaching support' rather than one off guidance.

Finally, we believe that there should be a specific reference to 'An introduction to financial capability' under 'Prepare for life ahead'. Including a reference to this here, as highlighted later in the strategy, would provide a greater recognition that learning on financially capable behaviours needs to start at an early age and that parents and schools have a responsibility in ensuring young people understand personal budgeting, wages, taxes, money management and knowing about a range of financial products and services.

#### **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?**

The priorities for action identified in the strategy broadly reflect A4e's views on the main priority groups and issues. However, we feel that these headline categories could better recognise the complexity of issues which may be faced by individuals within or across each cohort, such as ill health, redundancy and the difficulty in navigating the benefits system, which can strongly impact their behaviour in relation to financial capability. In order to fully support customers, Advisors need to be aware of the multiple challenges that each group can face and the specific recommendations that will help to address them. In addition, we feel that there are additional cohorts who may require targeted strategies which are not currently accounted for in the priorities for action, particularly lone parents. While we would recommend that this group becomes a priority area alongside those already identified, if it is not to be included there should be further clarification on which headline group they are supported under.

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

A4e agrees with the Strategy's aims in relation to the ease and accessibility of products, services and advice. In order for these aims to be successful A4e would recommend that the FCA/PRA uses their powers to ensure customers are treated fairly to improve public trust in the financial system. The credit industry is now coming under the FCA, rather than OFT, and we feel that this is an excellent starting point. The impact that such developments can have has, for example, been highlighted by the clear actions that were implemented around payday loan organisations.

We also feel that there should be greater join up between Financial Services and Independent Advice and Guidance providers as this could help to promote impartial guidance services such as the Money Advice Service. This could encourage service users to become much more savvy and knowledgeable when making financial decisions.

Finally, there should be further support targeted particularly at vulnerable and financially excluded groups. From our expertise supporting our customers across our services in the UK, we make the following recommendations that could help to increase the Government's engagement with banks to ensure affordable access to financial services.

- Develop a workable solution for the 1.5m adults who remain unbanked within the UK
- Help people to open up a UK bank account
- Introduce facilities to receive electronic benefit payments and other income sources (salaries)
- Improve access to financial services for people moving off out-of-work benefits and into employment
- Develop a 'bank led' proposition for small, short term products to compete with the door to door lenders and 'cheque cash'/pawn-broking vendors
- Offer outcome focused impartial advice and guidance, which would include debt advice, money management advice and housing advice, alongside all products and services.

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

Overall, A4e supports the strategy's aims in relation to influencing social norms. The recognition that families, friends and society can play a central role in underpinning an individual's financial capability is an important step to ensuring that the next strategy addresses the underlying drivers of behaviour, in addition to more tangible factors such as access to financial services, when it comes to making financial decisions. We feel that this will need to address the stigma that is often connected with saving, against a backdrop of the promotion of borrowing amongst consumers. In order to encourage a wider adoption of financially capable behaviours, the benefits of saving need to be promoted at a national level and 'saving' should be re-conceptualised so that it is perceived as an attractive option, particularly for young people.

In addition to challenging the negative societal norms which can be detrimental to an individual's financial capability, we believe that the next financial strategy should equally focus on promoting positive social influences that can lead to financially capable behaviour. These could include similar techniques to the Department of Health's Smokefree Campaign to encourage people to change their financial behaviour (albeit much lighter in touch), through affirming positive behaviours such as enabling each individual to see how much they can accrue over a year through saving a small

amount each month. A4e has adopted a comparable approach in our current delivery of the Money Advice Service Channel Strategy Pilots in Leeds, Bradford and Cumbria where we are trialling a substitution method. Through this pilot we are supporting customers to adopt more financially capable behaviours by helping them to make alternative financial decisions that may give them a similar positive feeling at a lower financial cost.

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

We believe that recommendations for action relating to influencing social norms are suitable and will help to achieve the strategy's aim of challenging societal factors which undermine financial capability. A4e currently delivers the Channel Strategy Pilots on behalf of the Money Advice Service, whereby we provide support to customers who are experiencing unplanned key life events, namely: bereavement, divorce and separation and redundancy. Early on in the pilot, this was extended to include any experience that brings about a new financial normal. From our experience delivering this pilot since July 2014, A4e not only has firsthand experience of the importance of providing targeted financial support to individuals at these key points but we have also gained valuable insights to inform the development of future financial capability pilots focused on providing support at life stage events.

Specifically, our Advisors have found it easier to access, and therefore support, customers who are experiencing certain life events, particularly redundancy, as this is often more closely associated with the need to receive money advice. In addition, engaging with potential customers has often been challenging due to commercial barriers. We would therefore support an examination of how organisations can be encouraged to refer individuals to money advice services.

One of the benefits of the Channel Strategy Pilot is the inclusion of a follow up stage. This occurs 3-4 weeks after the advice session and provides the customer with support on agreed actions. This process also enables us to monitor and evaluate the impact that our service has had on influencing social norms.

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

We would welcome the opportunity to be involved, from a frontline and strategic perspective, in the future development of the strategy and would provide as much support from our teams of experts as required.

A4e would also support the further development and implementation of impact measures to analyse the impact the Money Advice Service has on customers and the outcomes it helps them achieve. Specifically, this could involve the introduction of a more in-depth assessment of customer's financial capability when they first access the service, followed by check in points between the Advisor and customer to see if additional guidance is required and to measure the long-term impact the service has on their financial situation and the decisions they make. We recommend that the development of such assessments should be focused on implementing the measurements set out in the Financial Capability Strategy – Evidence and Evaluation Figure 2:

- Awareness and client engagement/reach
- Client satisfaction
- Change in financial capability
- Change in financial behaviour
- Social impact.

We have already begun work on this through our delivery of the Money Advice Service Channel Strategy Pilots. These pilots have specifically focused on:

- Achieving a more integrated approach
- Targeting our out-reach to customers who are experiencing key transitional life events which can mean they are more likely to need offline support
- Supporting customers with advice and action that is built into every stage of the customer journey
- Providing additional support to these cohorts by offering follow up support 3-4 weeks after advice appointments to help ensure customers stick to their plans.

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

Financial Capability has been a key priority for A4e as a business since 2006 and it remains a priority going forward.

As the prime-contractor for the face-to-face Money Advice Service in England and Northern Ireland A4e has extensive experience and expertise in delivery advice in this sector. This involves providing impartial information and guidance on money matters across a range of key financial topics:

- Budgeting weekly or monthly spending
- Saving and borrowing
- Protecting and insuring the individual and the family
- Retirement planning
- Understanding tax and welfare benefits better
- Jargon-busting - translating technical financial language.

A4e will continue to support the development and design of the Money Advice Service. We will also support the objectives of the Strategy by using the common evaluation framework and sharing evaluation findings. This would include:

- Carrying out strategic research to address evidence gaps
- Feeding into evidence and evaluation hubs, including best practice forums
- Providing advanced evidence-base about what is working and the value that the service creates.

As well as delivering the Money Advice Service, A4e also has wider experience across the Financial Capability sector. We have delivered a number of services focused on improving the financial well-being of individuals on behalf of local authorities and government departments. This experience could be used to support the sector in delivering cost effective financial capability services. Our experience includes:

### **Children and Young People**

**Money Help (funded by Halifax Bank of Scotland):** Between 2006 and 2008 A4e delivered free financial capability training to young people and adults, branded 'Money Help'. This included:

- Modular sessions in secondary education schools, integrated within the curriculum covering areas such as managing a bank account; understanding the implications of credit; effective budgeting. Modular sessions include workbooks and support materials.
- Developing and mapping financial capability materials to curricula across England, Scotland, Wales and Northern Ireland on subjects such as Personal budgeting, Wages, Taxes, Money management and knowing about a range of financial products and services.
- Workshop based training delivered in community settings for adults, enabling people to learn the basics of budgeting, financial management and negotiating jargon.

We delivered financial capability training to over 14,000 young people and adults each year of the contract.

***Young People and Money:*** A4e delivered a free one-day training course designed to better equip intermediaries who worked with young people aged 16 to 25 who were not in education, employment or training, with a greater understanding along with supporting toolkits to engage their young people in becoming more financially capable. This service was funded by the Financial Services Authority between 2007 and 2010.

#### **Debt Advice**

***Community Legal Advice (CLA) telephone service and Community Legal Advice Centres (CLACs):*** Through our legal aid services we supported over 50,000 people with legal matters each year. Through these services we helped people to deal with problems in the following categories of law – debt, housing, employment, welfare benefits and family. These were delivered between 2007 and 2013.

***Advice4Stoke:*** A4e delivered the face-to-face debt advice service, Advice4Stoke, on behalf of Stoke-on-Trent City Council's Housing department to the City's most financially excluded individuals. Advice4Stoke Rescheduled £12.7m of debt and Identified £4.3m in unclaimed benefits for the Council.

***Advice4debtNI:*** A4e delivered the Advice4debtNI telephone helpline and web service across Northern Ireland on behalf of the Department of Enterprise, Trade and Investment (DETI) between April 2009 and March 2012. The service supported individuals with their debt needs and empowering clients to manage their personal debt problems in the future. A4e delivered the following outcomes to Northern Ireland clients over the telephone:

- Debt identified - £16,643,284.76
- Debt rescheduled by advisors - £12,774,488.74
- Percentage rescheduled - 76.8%

***Thank you for taking the time to read our response. If you would like to discuss any of the comments raised and their practical application, please contact Andrew Turnbull, Senior Business Development Manager, by email at [Aturnbull@a4e.co.uk](mailto:Aturnbull@a4e.co.uk) or telephone on 07545423099.***