



# **RESPONSE**

## **FINANCIAL CAPABILITY STRATEGY CONSULTATION**

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## **About Money Advice Scotland**

Money Advice Scotland is the national umbrella organisation in Scotland which promotes and champions the development of free, independent, impartial, confidential money advice and financial inclusion.

A registered charity, Money Advice Scotland was set up in 1989, and provides the following services to its members:

- Standards and quality framework development
- Qualifications
- Training
- Research and policy input
- Annual Conference
- Seminars and other events
- Publications
- Consultancy
- Organisational audits

In terms of standards and quality framework development, Money Advice Scotland has been at the forefront of raising standards in Scotland, and beyond. The organisation was involved in developing a framework which underpinned the Debt Arrangement Scheme Regulations, and gave assurance that the advice being given to clients was of quality. The framework which was in place until 2011, the casework of which was assessed by competent advisers who were also approved advisers under the Statutory Debt Arrangement scheme. Due to a change in government policy the scheme was changed.

Money Advice Scotland was an approved Centre for the delivery of Scottish Vocational Qualifications in Advice and Guidance. It has collaborated with the Institute of Money Advisers in England and Wales to develop the Scottish version of the Certificate in Money Advice Practice. Money Advice Scotland is also working closely with the Money Advice Service in terms of the development of a national money advice quality framework.

With regard to training of money advisers, the organisation has been using standards to underpin its training for almost 20 years. In more recent times, the Scottish Government in conjunction with the advice sector has developed the Scottish National Standards in Information and Advice (SNS), and Money Advice Scotland was a pivotal player in their development. These standards are enshrined in current training and also help shape the Certificate in Money Advice Practice, together with the National Occupational Standards in Advice and Guidance, and Legal advice.

## **General comments**

- Having contributed to the Money Advice Service consultation event in Edinburgh, we have chosen not to submit a detailed written response to this consultation. As always, we are very happy to work with the Service and welcome further contact if clarity on our position is required.
- Money Advice Scotland wholeheartedly believes improved financial capability is absolutely crucial, not only for people's finances, but also for other aspects of wellbeing. It also has a significant wider impact on society and is an issue worthy of dedicating sizable resource. Money Advice Scotland supports the creation of this over-arching strategy, something that is desperately needed, and broadly welcomes the principles and approaches contained within. Obviously, the detailed proposals that underpin how it will be achieved are to be developed and we are keen to be involved in that process.
- Genuinely tackling the core issues of financial capability will take a generation and those involved in delivering the strategy must remain focused on the long-term goals for it to be successful.
- To fully reflect the different laws, structures and approaches in Scotland, we would expect a stand-alone strategy for Scotland. This would reflect not only the different organisations that will have to be engaged in this nation but also some of the differences in beliefs and attitudes in the general population compared to the rest of the UK. We also consider more Scottish representation is required on the respective working groups of the strategy.
- Money Advice Scotland has been recognised for its abilities to tackle financial exclusion, as well as delivering financial capability projects. We are keen to be part of delivering the strategy, particularly in Scotland, and can offer a variety of training programmes, direct-to-consumer financial capability projects and input on policy and best practice. The Money Advice Service has funded the organisation to develop a Financial Capability module which will help underpin the new Scottish Government Financial Health Service.

## **Reflections**

This strategy should generally aim to cover the next 25 years, ensuring the next generation has far superior financial skills to the current one. That said, some of the more immediate and specific aspects of financial capability, such as reacting to recent pension reform, will, quite rightly, require some resource to be taken away from the

longer-term goals. Money Advice Scotland would suggest materially reviewing, evaluating and, possibly, refreshing the strategy at five year windows, ensuring the long-termism of the strategy whilst monitoring its progress and continued suitability.

Money Advice Scotland is delighted with the proposals for joined-up and comprehensive work taking place with children and young people. It is vitally important to have consistent messages across the curriculum, other educational programmes, the Money Advice Service and other providers. We also recognise the need, and significant challenge, of ensuring children and young people are learning appropriate skills from parents, carers and peers. We await, with interest, specific proposals about how to achieve this; solutions may need to be creative. We also recognise that parents can often learn from their children too.

Money Advice Scotland agrees with the strategy's aims in respect of preparing for later life and welcomes the very broad recommendations for tackling this. In addition to auto-enrolment, more work should be done in conjunction with employers directly to reach consumers and engender better financial capability.

This organisation welcomes proposals to develop and extend effective methods of reaching people experiencing financial difficulty. We believe firms, regulators, advice agencies and consumers can do more to reduce overindebtedness and tackle problem debt. For example, we would propose stronger affordability checks for credit agreements and formal qualification requirements for those wanting to deliver money advice (in the same way independent financial advisers are required to qualify).

Money Advice Scotland also notes the difficult external environment this strategy will have to operate, particularly if it is faced with issues that are highly 'political'. At the lower end of the scale, incomes are simply too low, a problem exacerbated in recent years by significant increases in the cost of essentials, such as food and energy. It may be impossible for the strategy to work if welfare benefits do not rise in line with inflation and the Living Wage is not fully rolled out. We are aware of a number of cases of people on low incomes budgeting extremely well but simply not having enough income to meet outgoings.

For the vast majority of people, many financial services products are considered essential for functioning in modern-day society and, therefore, financial exclusion is a cause of real concern. The strategy should target every consumer having access to a bank account as a minimum. Financial products remain too complicated and opaque (a problem that has arguably increased in recent years); it is therefore essential that the industry 'buys-in' to this strategy and helps resolve the problem. Additional regulation may also be necessary to make a material difference.

Influencing social norms is probably the toughest challenge to overcome in the strategy but one that is central to its success. The recommendations currently seem

somewhat inadequate and lack the innovation that may be required to alter social norms. If they are to succeed, the cross-sectoral work will need to be extensive and involve partners that are not normally associated with financial capability. This would include popular media, firms outside financial services and other public services. We feel the key to this is influencing people in childhood, requiring increased work with schools, parents and other relevant bodies.

The proposals for requiring evidence and evaluation of work undertaken as part of the project is welcome, as is the shift to making evaluation 'outcomes focussed'.

Money Advice Scotland is well placed to implement aspects of the strategy, particularly in Scotland. We can lead on training, notably for those who will go on to coach people in financial capability, and utilise our links with many key stakeholders to develop work in this field. We also run a financial capability project currently and intend to continue and progress in that area in the years to come. We are always willing to work in collaboration with those who share our objectives.

Money Advice Scotland is also keen to be involved in the work to encourage consumers to seek advice earlier, help develop best practice for offering 'breathing space' and assist with driving up the quality of money advice.