



Financial Capability Strategy for the UK

Wales Co-operative Centre response

October 2014

About the Wales Co-operative Centre

The Wales Co-operative Centre welcomes the opportunity to respond to the UK Financial Capability Strategy for the UK consultation. The Wales Co-operative Centre is Wales's national body for co-operatives, social enterprises and employee owned businesses. The Centre champions and strengthens co-operatives, mutuals, social enterprises, and employee owned businesses. As well as supporting social businesses, we develop and implement co-operative solutions to tackle poverty and promote inclusion. We do this through:

- Facilitating access to joined-up financial advice and support services, including those offered by credit unions and the wider social enterprise sector;
- Support for social enterprise and co-operative business development and growth;
- Encouraging people to use digital technologies, and;
- Supporting the development of co-operative housing initiatives in Wales.

Our projects include:

- The Tackling Homelessness through Financial Inclusion project, which is helping to tackle homelessness by engaging people in using credit union services;
- Our Financial Inclusion Champions programme provides a resource to deliver strategic advice and guidance as well as support on a regional basis in the promotion and development of solutions to address poverty and social issues through financial inclusion and money management.
- Our Co-operative Housing project offers business support and advice to new and existing organisations looking to develop housing co-operative schemes. The goal of the project is to develop and stimulate demand for the co-operative housing approach throughout Wales.
- The social enterprise support project, which provides advice and support to social enterprises and co-operatives to help them set up and grow;
- The business succession and consortia project, which supports business owners to pass on their enterprises to their employees as well as supporting businesses to work together in consortia;
- The Communities 2.0 project, which tackles digital inclusion and helps communities and social enterprises make the best use of the internet.

Introduction

The Wales Co-operative Centre welcomes the development of a new Financial Capability Strategy for the UK as providing a productive focus and debate on the issues of what the barriers are to financial capability preventing people from making well-informed decisions leading to undesirable financial outcomes.

Lack of financial capability can lead to financial exclusion which is a product of two things; an inability to access appropriate financial products and making inadvisable financial choices. It is the matter of appropriate making choices that is often referred to as 'financial capability'.

Although there is no doubt that financial exclusion is an increasing and pressing matter, it is important to focus on the problem as a whole addressing each of its contributory parts, as opposed to tackling single issues as they arise. A co-ordinated approach is necessary. It is also important to acknowledge that measuring some of the basic indicators required is outside the

gift of public bodies in Wales so evaluating the impact of interventions can be difficult. For example, data on the uptake and usage of mainstream banking services is not accessible. That said, an intelligent approach can be taken to balance a strategic wish list (that all citizens of Wales can manage their money well) with pragmatism (putting in place services that can have a realistic impact with limited resources) and therefore we would welcome the development of an evaluation framework for interventions.

We note that this consultation refers to a number of specific questions on the content of the draft strategy and we have taken each question in turn:

1. What time period should the Financial Capability Strategy cover?

The Wales Co-operative Centre believes that a ten year strategy from 2015 to 2025 is a good time period as a basis from which to show significant change through effective evaluation and monitoring.

However, it is the view of the Centre that this strategy should not be a static document and much be subject to ongoing evaluation and at least a mid-term review that would look specifically at the impact being made on the priority groups the strategy has identified:

- Children and young people
- Preparing for later life
- Older people in retirement
- People in financial difficulty

Projects run by various organisations, both in Wales and the UK, are unlikely to be funded for this ten year period. The Centre's own projects that sit with the Financial Inclusion team are themselves subject to funding regimes that fall short of this ten year period. The Your Money Your Home project developed out of the best practice and lessons learned from the Tackling Homelessness through Financial Inclusion (THFI) project will run from January 2015 until the end of 2016. Similarly any ongoing Financial Inclusion Champions project may be subject to a two year review of any continued funding following the end of it's current funding in March 2015.

The Centre would like to see a ten year UK Financial Capability Strategy that gives due consideration, through an effective monitoring and evaluation framework, to how it can assist with development of new projects. It needs to be able to highlight where projects and initiatives are and are not working effectively so resources and funding can be directed elsewhere if ineffective projects are beyond rescue through a re-evaluation of their targets and outcomes. By providing and promoting access to information on lessons learned, best practice and impacts made the Strategy itself could become an important tool going forward for the development of new projects.

2. What is your view of the Financial Capability Framework?

The Centre is pleased to see a financial capability framework that acknowledges both the external forces and internal factors that influence an individual's financial capability. Currently projects the Centre delivers seek to address issues beyond skills and knowledge to address accessibility, linking this with digital inclusion, but also attitudes and behaviour.

For example, to date the Financial Inclusion Champions project has delivered financial inclusion awareness training to 182 frontline workers. This training addresses behaviours and mindsets not only of the clients these frontline workers come into contact with but that of the workers themselves. Evaluation of these sessions has demonstrated that 43% of those trained would do something different to manage their money and comments included that they would start budgeting, saving, join a credit union and look at whether they are paying too much for their utilities.

As part of our on-going work with the private rented sector an evaluation framework has been developed that directly links money management to wellbeing so that changes in behaviour and attitudes can be assessed throughout the lifetime of the project. Therefore, we think that the mindset component of the financial capability framework is vital going forward to instigate last change in financial capability.

3. How far do you agree with the objectives of the Financial Capability Strategy?

The Centre agrees with the objectives of the Financial Capability Strategy as broad objectives in themselves. In terms of our focus on tackling financial exclusion the Centre considers an inability to access appropriate financial products and making inadvisable financial choices to be major barriers to financial capability. While it is essential that financial products and services are well designed and easier to understand the focus for any systemic change needs to be on making these products accessible. A level playing field is needed rather than the most appropriate financial products and services only being available to those with the most favourable financial history.

4. What is your view of the financially capable behaviour domains?

The Centre agrees that these are behaviours that financially capable people would exhibit.

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

The Centre agrees that it is important to measure financial wellbeing in order to measure the impact of the Financial Capability Strategy. However, when looking at the 'financial wellbeing staircase' we feel that it is important to acknowledge that people may move between these broad states of financial wellbeing during the lifetime of the proposed strategy.

In particular, the bottom three stages of (a) being unable to keep up; (b) constantly struggling; and (c) making ends meet are where people may exhibit dangerous behaviours that further jeopardise their financial wellbeing such as turned to high interest lenders or loan sharks if hit with a crisis. The Centre would like to see measures within the staircase that indicates financial wellbeing can occur as a consequence of making better decisions at these lower levels.

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

The Centre agrees that on the whole the priorities for action are well placed. Concern does arise when considering vulnerable working age adults whether they are completely reliant on benefits or working but still rely upon a low income. With such broad groups identified there is a risk that these individuals may become invisible in a crowd. The THFI project for example has when engaging with private rented sector tenants identified a group of hard to reach individuals that are not engaged with the support bodies that may be able to assist them.

For example the project has anecdotal evidence that those tenants who live in HMOs tend to be single men over the age of 24 and so would not fit into the priority group of children and young people. They are generally vulnerable, whether due to issues of substance misuse, mental health or adjusting to family breakdown and being on a variable but low income leaves this vulnerable group susceptible to poor financial capability. This example is only one of the more vulnerable groups who may be lost in the broad category of people in financial difficulties.

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

The Centre supports the aim for children and young people to be continuously building upon their skills to manage money throughout life and so maintain a high level of financial wellbeing.

8. What is your view of the recommendations for action relating to children and young people?

The Centre agrees with the four recommendations for action identified. When responding to the Welsh Government's Financial Education and Inclusion (Wales) Bill, we emphasised that at their most basic level the environment that children are brought up in is fundamentally affected by their financial environment and money management behaviours of their parents and carers. Therefore, we believe it is essential to equip and motivate parents and carers to teach their children about money.

The Centre also agrees that the opportunity should be provided to all children to learn about money outside of the home and that financial capability should be embedded within different programmes and the curriculum itself. We would recommend a pan subject approach to embrace the principle of multiple messaging. For example if children are learning about money in PSE and maths lessons, referring to the use of currency in a geography lesson or the cost of materials in an art lesson will bring the thinking back to considering the use of money. This does not need to be a formal part of the curriculum, but part of the culture of teaching in schools.

When looking at increasing opportunities for children and young people to manage their own money, we would recommend strong links with local credit unions as a starting point. Many credit unions actively work with schools to promote a strong savings ethos.

9. How far do you support the Strategy's aim in respect for preparing for later life?

The Centre supports the aim of improving people's financial capability so that in later life people can have financial resilience and security.

10. What is your view of the recommendations for action relating to preparing for later life?

The Centre, while broadly agreeing with the recommendations, perceives this as a touch area to tackle. While individuals are making ends meet and may be enrolled into a workplace pension there are others who are not making ends meet and putting money in a pension would not be a priority for them. Preparing for later life should be part of looking holistically at a person's financial capability so when they seek support on budgeting and managing their money they are encouraged to take a long term view.

11. How far do you support the Strategy's aims for older people?

The Centre supports the aim of improving older people's financial capability so that they can remain independent with a high level of financial well-being.

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

The Centre agrees with the recommendations of supporting older people through accessible budgeting tools and support as well as maximising their financial means. Older people are among the groups particularly vulnerable to financial exclusion and may still have financial demands such as mortgages so can be indebted. We would like to see older people encouraged to take up their full entitlement of benefits, including cold weather payment, to help them attain financial wellbeing and remain resilient as they get older.

Within the key risks to financial well-being it may be appropriate to add something about recognising signs of financial abuse by family and carers. Support workers should be aware of the various signs that include but are not limited to:

- Unexplained loss of money and inability to pay bills, including rent and being unable to access their own accounts.
- A fall in living standards and being unable to purchase items they could previously afford.
- Sudden changes to a will or missing belongings such as jewellery.

As those in financial difficulty may be susceptible to illegal money lenders this may be a risk that particularly applies to older people and is a key concern for the groups working with them such as Age UK.

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

The Centre supports the overall aim of improving financial capability and reducing over-indebtedness as well as building resilience to avoid individual's finding themselves in difficulty again.

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

The Centre agrees with the recommendations for action particularly with regards to organisations working in partnership with the advice sector and other support organisations. Working within financial inclusion the Centre takes the view that increasing peoples' incomes does not necessarily mean that they are better off. There are people who have what may be perceived as a good or moderate income who because of over-indebtedness and bad money

choices have poor financial wellbeing. We would like to suggest that as outcomes of these recommendations the following is accessible for people with financial difficulty:

- Appropriate and responsible financial services
- Accredited, free advice services
- Financial capability support
- Digital capability support
- Support with decision making around welfare benefit reform and work

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

The Centre supports the aim to enable better access to appropriate and easy to use financial services and advice highlighting the consequences of financial decisions.

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

Broadly the Centre agrees with the recommendations for action of consumer organisations helping to prioritise and propose solutions to problems of access to financial services as well as helping people understand the consequences of their financial decisions. The Centre with a focus on increasing financial inclusion considers digital inclusion to be a key area of addressing the ease and accessibility of financial services for some groups of people.

It is not in doubt that financially excluded people can benefit from significant savings by having access to appropriate financial products, for example a transactional bank account. Free to use digital services are an important point of contact for those that cannot afford to invest in their own technology and internet access. Over 65% of the financially excluded people we directly support in our THFI project tell us they do not have broadband. The vulnerable group engaged with on this project were overwhelmingly uninformed about the available tools to manage their money.

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

The Centre supports the aim to challenge societal norms that threaten an individual's financial capability.

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

The Centre acknowledges that encouraging behaviour change as per the recommendations is extremely challenging and agrees that interventions need to be tested so that people are more receptive to change. The training delivered by our Financial Inclusion Champions seeks to challenge mindsets and behaviours and perceives financial inclusion as being about managing personal money which includes having the confidence to make their own decisions. Frontline workers are encouraged to work with their clients so that they can make use of the right products including saying no to doorstep lenders or payday loan companies even if that's what their friends or family are generally using.

In our response to the Welsh Government's Financial Inclusion and Education bill we highlighted, as also seems relevant here, that issues around financial capability and financial exclusion have steadily worsened over recent years. Whilst these are not new concerns, the challenging economic environment, unemployment and welfare benefit reform have exacerbated the problems that people face. Alongside these the upsurge in contractually unfavourable credit products (such as readily available pay day loans) makes matters worse.

As a society we live in a culture where credit is a normal part of adult life. Changing this culture, particularly in pressing economic times, is challenging. However as a long term goal this can be delivered with a strategic approach. By teaching young people about the role of money in their lives they will be equipped with a life skill that they can pass on. We must also bring their parents, families and communities along to change habits and behaviours that undermine their financial wellbeing.

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

The Centre supports the aims to accelerate learning and increase the impact of resources on financial capability building through the consistent evaluation of the various interventions.

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

The Centre agrees with the recommendations that there should be consistent evaluation against a standard outcomes framework that will encourage the sharing of best practice. We are also keen to see more research undertaken to fill key evidence gaps. We would like to see the research and evaluation of various interventions to contribute to this and that case studies will be considered to show a real step change in financial capability and people's behaviours.

We believe these recommendations are key to understanding what works in terms of improving financial capability and would want any outcomes framework to be built into project development. We would like to see funders on board and encouraged to direct funding to the areas where interventions are proven to have worked and where research has highlighted a gap in provision.

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

The Wales Co-operative Centre would be keen to be involved in further development of the Strategy with a view to using our experience to embed the principles of the Strategy into existing practice. The Wales Co-operative can offer examples of best practice in working with local authorities to embed financial inclusion into their strategies so considering it in the forward planning of service delivery.

22. What role do you see your organisation playing in the implementation of the Strategy?

In terms of playing a role in the implementation of the Strategy the Wales Co-operative Centre, the financial inclusion team have worked across various organisations to help embed financial inclusion and capability into everyday practices of frontline workers. We would support the objectives of this Strategy and commit to seeing how they work in practice. We

would encourage the organisations we work with to look at using a common evaluation framework and share their findings. We would also do this ourselves when developing new projects.

For further information on this response, please contact:

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The Wales Co-operative Centre is happy to provide any further information on the points raised in our response, and for our response to be in the public domain.