Graham Allen Review

Call for Evidence: An Independent Review on Early Intervention Delivery

A Submission by Credit Action

Background

Credit Action is a national money education charity (registered Charity in England & Wales No. 1106941) established in 1994.

In January 2009 we also created our dedicated Welsh arm, Credit Action Cymru.

We offer a range of resources, tools and training to help everybody handle their money well, and to inform consumers so that they can make informed decisions about their personal finances.

Credit Action operates at a national level through advocacy, collaboration and partnerships with various groups and companies as well as at a local level through a variety of targeted projects, with a particular emphasis on those most vulnerable to financial difficulties and over-indebtedness. Through its work Credit Action reaches over 650,000 UK citizens every year.

We also have extensive experience of working with young people on these issues, and currently deliver a number of educational programmes in secondary schools and colleges through a national network of training consultants. Furthermore, over the past four years we have partnered with UCAS to provide free student money guides to young people going into further education. In this academic year we will provide 430,000 guides to successful university applicants.

We try and help as many people as possible avoid the pain of debt. However we recognise many contacting us will be in trouble already, so we work in partnership with the major debt counselling charity the Consumer Credit Counselling Service (Registered Charity No. 1016630).

About You

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Question 1: What are the likely causes of impairments to children's social and emotional capability? How common are they across the population?

As a money education charity, the focus of Credit Action's work is on improving levels of financial capability, particularly amongst the most vulnerable members of society. We believe that enabling people to handle their money effectively is absolutely essential to protecting them from the danger of uncontrollable debt.

This is an issue which can blight family life for many years. It can cause relationship breakdown and mental or physical illness amongst parents, which in turn creates obvious negative consequences for children and their life chances. Indeed, in the *Early Intervention: Good Parents, Great Kids, Better Citizens* paper which forms the launching point for the Graham Allen Review, Iain Duncan Smith explicitly identifies indebtedness as one of five 'pathways to poverty'.[1]

While recognising that the *Early Intervention* paper is informed by the view that 'child poverty and income are only part of the picture',[2] we believe that debt also has a deep emotional impact on families, an impact that can in turn impair children's social and emotional development. The pressure that debt places on a couple's relationship, potentially leading to divorce or separation (which *Early Intervention* identifies as a familial risk factor)[3], is a prime example of this.

We would therefore argue that as part of the process of preparing young people to be effective parents between the ages of 0 and 18, which *Early Intervention* identifies as crucial to breaking the cycle of generational disadvantage, there should be an appropriate focus on building levels of financial capability. We of course realise that this can only be one strand of a much broader set of interventions aimed at dealing with a vast range of problems. However, given the potentially devastating effect that serious financial difficulty can have on a family, we believe it is important for the Review to consider the role of increasing financial capability in enhancing life chances for both prospective parents and their children.

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[1] Centre for Social Justice and The Smith Institute, *Early Intervention: Good Parents, Great Kids, Better Citizens* (September 2008), p. 9

[2] Centre for Social Justice and The Smith Institute, *Early Intervention: Good Parents, Great Kids, Better Citizens* (September 2008), p. 20-21

[3] Centre for Social Justice and The Smith Institute, *Early Intervention: Good Parents, Great Kids, Better Citizens* (September 2008), p. 30

Across the population, both debt and low levels of financial capability are widely recognised as significant problems. We estimate that the average debt owed by every UK adult is currently £17,838 (excluding mortgages).[4] Striking evidence also demonstrates the profound effect that debt can have on family life, particularly amongst those on low-incomes. The charity Christians Against Poverty has recently conducted a survey of its debt advice clients. 77% said that debt had affected their relationship, with 28% saying it had caused their relationship to completely break-down.[5]

In turn, the strong link between debt and low levels of financial capability is one that has been identified on numerous occasions. To give one recent example, uSwitch, the independent price comparison and switching service, released the results of a major survey in September 2010 in which 71% of respondents blamed a lack of personal financial understanding for their debt. Moreover, 81% of respondents said they developed personal finance knowledge through trial and error, with only 7% learning from their parents and 4% from bank. Significantly, 95% of respondents also supported teaching financial education in school, which is an issue to which we will now turn.[6]

Question 2: Do we know how to improve children's social and emotional capability in a cost effective way?

We firmly believe that making financial education a compulsory part of the national curriculum would represent an absolutely essential step forward in building levels of financial capability in the 0-18 age range which *Early Intervention* identifies as being so important, and would therefore be hugely positive in terms of helping prospective parents learn how to better manage their money and therefore avoid the potentially devastating effect that serious debt might have on their families and children in the future.

While we recognise that there are numerous bodies who conduct excellent work in this area, such as the Consumer Financial Education Body (CFEB) and indeed ourselves, we feel strongly that the fact that financial education is not compulsory remains a core weakness of policy. We believe that there is a danger that unless financial education is a requirement of the curriculum, many teachers will, quite understandably, choose to focus on those areas of the curriculum which are mandatory and in which their pupils are assessed. Consequently, we fear that there is a real risk that an ideal opportunity to provide all young people with a fundamental understanding of the basic life skill of managing money is being missed, and that this may have a serious negative impact on those young people and their children and families in the future. We view the collapse of attempts to introduce compulsory financial education during the wash-up period before this year's General Election to have been highly damaging in this regard, and would urge policy makers to address the issue.

4 Credit Action, *Debt Facts and Figures* (November 2010), p. 1

5 Credit Action, *Debt Facts and Figures* (November 2010), p. 3-4

6 uSwitch, *Lack of Financial Education Has Cost Brits Nearly £250 million* (Wednesday 29th September 2010)

We believe that making financial education a compulsory part of the curriculum would also be an extremely cost effective way of reaching large numbers of young people. There are already a wide range of providers capable of supporting teachers in this area at little or no cost, including for instance CFEB and ourselves. By way of example, we provide a number of free programmes and resources to help those in the 0-18 age range build their financial capability including ‘DebtCred’ (aimed at secondary school students) and ‘Future Ready’ (which targets the needs of school leavers). Furthermore, we have previously been involved in the development of a ‘Price of Parenting’ course which addresses the financial needs of single parents.

Therefore, the actual additional cost of introducing compulsory financial education into the curriculum and supporting teachers to deliver it effectively would, in our opinion, be small in purely financial terms. Given the fact that such a move would guarantee financial education to nearly all the young people in the country, the cost per pupil would be nominal.

Question 5: What lessons can previous experience teach us about what doesn’t work? What programmes have proved ineffective? What characteristics associated with previous programmes are ineffective? What other aspects of early intervention are ineffective?

In terms of teaching financial capability in schools, we would draw attention to certain concerns that have been previously raised about assimilating financial education into broader subjects such as mathematics. In its 2008 report *Developing Financially Capable Young People*, Ofsted noted that while integrating financial education and mathematics can sometimes work if done well, there are often shortcomings in the way this is managed, and focus can drift to ‘using personal finance education as a context for applying mathematical skills, rather than on developing students’ financial skills and understanding’.[7] Ofsted stressed that ‘Financial capability ... is about more than numerical competence. It is about developing an understanding of financial services and key ideas, the skills to apply this understanding of managing money, and acquiring particular attitudes towards personal finance’.[8]

We would therefore argue that it is crucial for financial capability to be recognised as a topic in its own right, requiring a particular set of skills that do not necessarily map precisely on to other topic areas, and for policy makers and teachers to take proper account of this when developing and implementing relevant curricula.

[7] Ofsted, *Developing Financially Capable Young People* (March 2008), p. 6

[8] Ofsted, *Developing Financially capable Young People (March 2008)*, p. 18