

# Financial Capability Strategy for Northern Ireland

## Question 1

Are you responding as:

- An Individual
- **An organisation** (if so, please state name): Credit Action

## Question 2

Are you a professional/practitioner engaged in any aspect of financial capability?

- Yes
- No

If yes please indicate if that is in the areas of:

- Education
- Adult Education/Training/Employment
- Advice
- Providing Information
- Counselling
- Other

## Question 3

Do you work primarily with any vulnerable groups?

- Yes (if so, please specify)
- No

## Question 4

Does the Strategy, and supporting evidence as presented in the report “Financial Capability in Northern Ireland 2012”, adequately articulate the need for action and intervention by the Executive on financial capability?

- Yes
- No
- Don't Know

If yes, please provide details:

In general, we believe that the Strategy and the evidence presented in the *Financial Capability in Northern Ireland 2012* report do demonstrate a strong case for action. Together they provide an extensive commentary on the macro-economic context

underpinning the need for greater financial capability in Northern Ireland which is extremely useful in offering a wider perspective.

Meanwhile, the focus group research helps build a thorough picture of the financial capability of Northern Ireland's consumers and many of the issues surrounding this. Our main comment with respect to this latter piece of research is that it largely utilises the Financial Service's Authority's 2006 definition of "financial capability" (based the five core components of making ends meet, keeping track, planning ahead, choosing financial products and staying informed). However, as paragraphs 3.9 to 3.15 of the Strategy recognise, the Money Advice Service is currently undertaking work to update this definition, and build in a wider range of elements including people's attitudes, motivations and opportunities, and we would simply note that once this is in place there will prospectively be further opportunity to further develop the research that has been put forward, and examine the financial capability of Northern Ireland's consumers on a broader basis.

### **Question 5**

**Is it clear how the Financial Capability Strategy relates to the wider Programme for Government?**

- Yes
- No
- **Don't Know**

**If yes, please provide details:**

There is no doubt that *Chapter 4* of the Strategy provides an exceptionally detailed overview of how policy initiatives that are already being undertaken by other Departments link in to the Executive's work on financial capability.

Our main reservation (which we will address further in response to Questions 8 and 11) is that beyond this, there appears to be only limited information on what tangible actions will be taken to deliver the Financial Capability Strategy itself. While *Chapter 6* describes initiatives undertaken by other agencies such as the Financial Capability Partnership and Money Advice Service, and *Chapter 7* discusses the main areas of focus for the Strategy (financial inclusion; the impact of the Welfare Reform Bill and Universal Credit; rural exclusion; and adult education and preparing young people for the transition to employment) and sets these in context, we can find little reference to actual measures that will be put in place to progress the Strategy, other than certain loose proposals included in some of the bullet points in Chapter 8.

Therefore, while the Strategy does an excellent job of profiling the way in which the wider Programme of Government feeds in to the financial capability agenda, it is not necessarily clear how this will complement the Financial Capability Strategy itself, simply because there is little indication of how, in practical terms, that Strategy will actually be delivered. We make further comment on these issues in response to Questions 9 and 11.

### **Question 6**

**Do you agree with the vision outlined for a NI Financial Capability Strategy?**

- Yes
- No
- Don't Know

**If no, please explain why:**

We do agree with the broad vision set out in *Chapter 5*, of seeking to create “Better-informed, more skilled and more confident consumers, better able to manage, plan and take responsibility for their financial affairs”. However, we would raise one issue with paragraph 5.1, which effectively defines what a financially capable consumer is, or at least “should be able to” do.

Of the three bullet points which set this out, two are specifically debt-orientated (one focuses on consumers understanding their responsibility when it comes to buying credit products, and the other the awareness of where to go to help). Beyond this, however, the only other expectation is that consumers should be able to choose products which suit their circumstances.

In our view financial capability is a much broader concept than this. As mentioned in our response to Question 4, the Financial Services Authority’s 2006 definition includes components such as “making ends meet”, “keeping track” and “planning ahead”. However, paragraph 5.1 does not encompass any of these, or the development of core skills which might be necessary to achieve them such as personal budgeting. Ultimately, we believe that being financially capable is about much more than choosing products and dealing with debt, and this needs to be recognised in the Strategy’s vision.

### **Question 7**

**Do you agree that the new Financial Capability Strategy should be for 5 years?**

- Yes
- No
- Don't Know

**If no, please provide details:**

### **Question 8**

**Do you agree with the Executive’s priorities for Financial Capability?**

- Yes
- No
- Don't Know

**If no, please explain why:**

We can certainly understand the importance of the issues that the Executive has chosen to focus on, and would not contest the significance of any of them in their own right. However, our main comment would be that three of these four priorities (financial inclusion, the impact of welfare reform and rural exclusion) are very much focused on the needs of specific groups who might be seen as particularly “vulnerable”. In many ways therefore, these seem to constitute social policy priorities rather than financial capability priorities. One consequence of this is that the Strategy will not operate on a universal basis, as there will be many people whose needs are not impacted by the issues that the Executive is focusing on, and will therefore not be prioritised. This is not necessarily a criticism, but we feel it is important to highlight the implications of the Executive’s approach.

**Question 9**

**Are there any other actions the NI Executive could take to deliver their Financial Capability vision?**

- Yes
- No
- Don’t Know

**If yes, please provide details:**

As suggested in our response to Question 5, one of our main issues with the Strategy as it currently stands is the lack of much practical detail on the measures that the Executive plans to implement in order to deliver it. Therefore, our main comment would be that the Strategy needs to include more tangible proposals for how it will move forward.

*Chapter 8* includes a breakdown of the steps the Executive will take to deliver on its vision, but many of these points refer either to the work other Departments are already undertaking as part of the wider Programme for Government (which have already been covered in *Chapter 4*), or initiatives undertaken by external agencies such as the Money Advice Service.

Beyond this, the main proposals that are put forward for delivering the Strategy are, as far as we can see, included in certain bullet points on page 46, specifically those which cover:

- Building on the success of the Financial Capability Partnership.
- Working with partners in government, the voluntary, community and private sectors to develop a detailed plan of action to improve the financial capability of Northern Ireland’s consumers.
- Working with partners within government, the voluntary, community and private sectors to achieve a range of subsidiary objectives, such as: encouraging the delivery

of appropriate programmes to meet the needs of particular vulnerable groups; encouraging the delivery of community-based learning programmes for adults; and promoting systematic benchmarking, monitoring, evaluation and reporting.

In our view, it is these final few points which provide the real insight into what specific new measures which will be implemented in order to realise the Executive's vision. We would therefore like to see these developed in much greater detail, and believe that if policymakers can achieve this then the Strategy as a whole will be far more meaningful and robust.

As a charity which works in Northern Ireland, providing financial education in schools, we would welcome the opportunity to engage further with the Executive on delivering its vision. In 2012/13 alone, we delivered 159 workshops in schools and colleges across Northern Ireland and reached over 5800 pupils. We would love to do more, so that our services were available in all schools in Northern Ireland.

#### **Question 10**

**Do you have any comments on the Impact Assessments detailed on Page 48?**

- Yes
- **No**
- Don't Know

**If yes, please provide details:**

#### **Question 11**

**Please detail below any other comments you may have:**

Ultimately, we recognise that the Strategy has been born out of a genuine desire to improve the financial capability of Northern Ireland's consumers, and that it is underpinned by a strong core vision of creating "Better-informed, more skilled and more confident consumers, better able to manage, plan and take responsibility for their financial affairs".

The cross-Departmental commitment to the issue is clear, but it is the practical detail of how the vision is realised – beyond existing programmes which are already part of the Programme for Government – which we believe is still necessary. As suggested in our response to Question 8, the final few points made in *Chapter 8* begin to look towards this, and we would urge policymakers to use them as the basis for developing a more well-rounded and fully realised Strategy.