

**Money Advice Service**

***Business Plan 2013/14***

**A Response by Credit Action**

**Background**

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

Credit Action empowers people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives. It develops and delivers products and services which provide education, information and advice on money matters, in an appropriate way for young people and adults. Through its work Credit Action reaches over 500,000 UK citizens every year.

## Opening Comments

As an organisation which runs a range of projects to help both young people and adults build the skills necessary to manage their money effectively, Credit Action is directly involved in the delivery of financial capability initiatives in the UK. The Money Advice Service (MAS) is a key actor in this field, and the scope of its work programme has a considerable impact on the shape of the sector, particularly given the level of resource that it has available. MAS's Business Plan is therefore a highly significant document for us and all other organisations involved in the delivery of financial capability programmes, and we welcome the opportunity to comment on it.

At a strategic level, the most fundamental characteristic of the Business Plan is the division of MAS's work into what the Executive Summary calls "three core areas of responsibility". These are the provision of preventative money advice, the co-ordination of debt advice and the oversight of financial capability for young people (p. 7). In turn, these three areas of responsibility effectively underpin the *Strategic Themes* which run throughout the document.

However, in our view the decision to use this three-pronged framework means that MAS has essentially restricted the scope of its work programme in certain areas. In particular, any work that MAS does to build the financial capability of adults is limited purely to delivering action-orientated money advice (as we discuss in detail further on in this response, all the outcome indicators for this work stream are heavily action-based, meaning it is almost entirely focused on getting people to perform certain pre-defined tasks, such as buying contents insurance). While we accept that taking positive actions is one element of being financially capable, we strongly believe that it involves more than this, and also encompasses things like developing a constructive attitude towards money more generally. However, these broader aspects of financial capability, while crucial in our opinion, are not something MAS's current programme will touch on, due to the narrow scope of its adult work.

The distinct nature of the three work streams also suggests, perhaps inadvertently, the existence of certain arbitrary divisions that we do not believe necessarily hold true. For example, establishing such a tight focus on "money advice" for adults and "financial capability for young people" implies that financial capability as a concept is something that becomes largely irrelevant once someone reaches adulthood. In our opinion this is unhelpful – as already suggested, we feel that financial capability reflects various aspects of the way that people engage with money, and that this remains important throughout their lives.

Ultimately, separating MAS's activities into such specific streams in this way means that the Business Plan is defined by discrete areas of focus, rather than setting out a coherent and fully integrated programme of work. Our broader concern in all this is that, because its approach is fragmented in this way, MAS will not be able fulfil its statutory objectives and functions as effectively or strategically as it could if a better structured Business Plan were in place. Indeed, the document does not contain any genuinely detailed explanation of how the programme of work for 2013/14 will support MAS's statutory mandate, aside from the very general assertion in the Executive Summary that the four strategic themes will "enable us to meet our statutory objectives and deliver against our vision" (p. 7).

From our perspective, the Business Plan therefore represents something of a missed opportunity. MAS initially inherited a National Strategy for Financial Capability from the Financial Services Authority (FSA), which was described as “world leading” by the National Audit Office. If this was built on, it potentially provided a clear focus and direction of travel for the organisation. However, the UK has now lost its leadership role in the financial capability sphere and is lagging behind initiatives in other countries, despite much greater resources being allocated to this activity in this country. We fear that because of the somewhat disjointed nature of the current Business Plan, MAS’s clarity of purpose is being lost, and that it also risks losing its broader leadership role in the UK.

We should make clear at this stage that, as we outline in the course of our response, we can still see value in certain elements of the Business Plan, and there are parts of its work programme which we genuinely feel have the potential to drive benefits for both consumers themselves and the financial capability community more broadly. However, we do believe that the issues highlighted here represent important limitations in MAS’s high-level approach, and hope that it will take steps towards building a more coherent strategy by the time its 2014/15 Business Plan is published.

We will now turn to consider the consultation questions set out on page 51 of the Business Plan, and focus our responses specifically on Questions 1, 2, 4, 5, 6, 8, 10, 11 and 12.

**We would, in particular, welcome your feedback and views on the following areas:**

**Question 1: The five key outcomes we have set out for getting people to manage their money effectively**

*Strategic Theme 1*, which describes MAS’s approach to delivering money advice, is by some margin the largest part of the Business Plan. However, in contrast to the other *Strategic Themes*, which set out in very broad terms the work that MAS intends to do in the year ahead, much of *Strategic Theme 1* appears to describe in detail work that MAS has already undertaken. This includes the selection of the outcomes that underpin MAS’s work in this area, as well as the proxies used in measuring these, which are both set out on page 16. We would make two main points with regard to this outcomes framework.

Firstly, we do not believe that the Business Plan necessarily provides a sufficiently clear explanation of why these particular outcomes are being utilised to measure success. The opening pages of *Strategic Theme 1* refer to a complex range of objectives and models, of which the outcomes framework on page 16 appears to be part, but there is little real explanation of how all this fits together.

To illustrate, *Strategic Theme 1* begins by listing a set of four areas (day-to-day money, retirement planning, planning for the unexpected and planning for the future) and ten associated goals, which apparently make up MAS’s advice model, on page 13. This is then immediately followed by an entirely different set of “key outcomes” (control your finances, reduce your debt, grow your savings and protect your assets). The Plan then discusses ten “key consumer themes” and a number of imminent public policy changes on pages 14 and 15. Following this, another new set of actions

(saving regularly, managing debt well, saving for retirement, protecting your assets and providing for your dependents) are cited on page 16, which are described in the Executive Summary as “core elements of personal financial stability and security”, before the list of five outcomes and proxies is set out (although these outcomes are seemingly different to the “key outcomes” previously described on page 13).

Much of what is contained in pages 13 to 16 seems excessively complex to us, and therefore we struggle to understand how these different aspects of MAS’s framework link up. Consequently, we do not think that the Business Plan is clear enough as to why the five key outcomes listed on page 16 are important, or how achieving them will support MAS’s wider objectives. In order to be meaningful the Business Plan needs to outline, in a much more straightforward way, the rationale that has informed the selection of these five outcomes and, ultimately, how they will help MAS realise its statutory mandate.

Secondly, with respect to the five outcomes themselves, we would point out that these are all very much action-based, as alluded to in our Opening Comments. We recognise that to a large extent this is a conscious decision by MAS, which has deliberately “developed an outcomes framework for our work which relates to actual financial behaviour” (p. 16). We would stress though that, in our view, supporting people to manage their money more effectively is about more than just getting them to perform specific actions. It is also about encouraging them to develop a positive and constructive attitude towards money, and the ability to make judgements about whether particular products are suitable for them given their individual financial situation.

These aspects of managing money are not easily captured by purely action-based indicators. For example, one of the five outcomes listed on page 16 is whether or not people have contents insurance. However, we would argue that simply buying contents insurance does not mean that someone is managing their money effectively – indeed, in some situations buying contents insurance may be an ineffective use of resources, if for instance a person’s possessions are worth relatively little and it makes better financial sense for them to self-insure. It is the capacity to make these kinds of judgements that, in our opinion, reflects a genuine ability to manage money effectively. Therefore, we believe there are limitations to using a purely action-based model, and would encourage MAS to consider whether there are any broader measures that could be used to supplement the existing outcomes framework.

## **Question 2: Our identification of the most appropriate target groups**

The Business Plan states that MAS has identified a target market of 10.2 million adults in 4.8 million households, divided into eight different segments, as outlined on pages 18 and 19. However, the explanation of how this target market has been defined is actually fairly short, and is largely limited to four short paragraphs on page 17. Consequently, we have found it quite difficult to comment on the identification of the target market, as in our view the Business Plan does not include enough information to enable us to make a reasoned judgement as to whether the grounds for selecting certain groups (and by extension excluding others) are justified.

**Question 4: Our approach to working in partnership with other organisations in the field**

Partnership working is one area in which MAS has been rather weak in the past, and we believe that its engagement with the sector more broadly could be much stronger (indeed, when giving oral evidence to the Treasury Select Committee on 20 June 2012, the Chairman himself recognised that such engagement has been lacking, certainly at a strategic level, and that there has been little consultation with stakeholders on previous Business Plans for example)<sup>1</sup>. From our perspective this has been disappointing, particularly as the FSA's National Strategy for Financial Capability was based on a model of effective partnership working.

The 2013/14 Business Plan contains a more significant commitment to working in partnership than has been the case before, and in many ways we see this as encouraging. However, we would stress the need for MAS to approach this in a serious, earnest and constructive manner. Ultimately, working in partnership should be a two way process, and we hope this will underpin all MAS's future engagement with external stakeholders.

**Question 5: Our programme of work to develop the financial capability of young people**

*Strategic Theme 3* of the Business Plan outlines MAS's programme of work with regard to financial capability, and states that there are four key areas of focus: working with partners to ensure young people receive high quality financial education in schools, supporting family learning and community learning opportunities, working with partners to drive up the quality and effectiveness of financial education in the UK, and assisting with the development of targeted interventions for vulnerable young people (p. 35).

While the Business Plan provides only limited detail about how it will achieve these aims in practice, we do welcome the high level plans, and believe that a number of the activities that MAS intends to undertake, such as developing standard measures of effectiveness, could make an important difference to the delivery of financial education in the UK. More broadly, we are also supportive of MAS's plans to develop a refreshed definition of financial capability and national strategy, and believe these are prime examples of where MAS can constructively act as a thought-leader.

However, while there is much that is positive about MAS's plans with respect to financial capability, we do feel there are also certain issues which create an element of inconsistency in its approach. From our perspective, MAS's strategic decision to separate out its financial capability work with young people and adults, and focus the latter just on action-orientated money advice, does create a certain tension in its work programme. Moreover, we feel that this separation actually has the potential to undermine the credibility of MAS's work with young people. In particular, the Business Plan states that a key way of reaching young people will be through parents and carers. Therefore, adults will ultimately play an important part in MAS's approach to educating young people (p. 36).

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<sup>1</sup> Uncorrected Transcript of Oral Evidence, *Treasury Select Committee Inquiry into the Money Advice Service* (20 June 2012), Q 213 – available at:

<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtreasy/uc271-ii/uc271ii.pdf>

However, in our view it makes little sense to use adults as a delivery channel in this way, whilst at the same time providing them with no support to build their own financial capability, beyond purely action-based money advice.

Furthermore, we would expect that when MAS develops the new national strategy for financial capability, this will cover all age ranges, and not be restricted purely to young people. If this is the case, it will mean that MAS will have only limited involvement in the delivery of a significant part of its own strategy – that which covers adults – creating, in our view, significant potential for inconsistency. Therefore, we would strongly encourage MAS to revisit its decision to limit its work with adults to action-orientated money advice, and believe that extending this to cover broader aspects of financial capability will not only create a far more coherent work programme but also strengthen its provision for young people.

We would also make a separate point about the financial education work that MAS says it has already undertaken in 2012/13. The Executive Summary states that during this period:

our work has focused on measuring – for the first time – the financial capability of 15-16 year olds in the UK. We have also worked with others to develop a set of measurable and robust key performance indicators and a good practice forum for practitioners and stakeholders. (p. 9)

To our knowledge, this work has not yet been completed by MAS in the 2012/13 period. There has been engagement with external stakeholders on these issues, and we ourselves have been involved, but in recent months we have heard little about MAS's progress in these areas. We do therefore feel there needs to be some clarification around where this body of work currently stands, and if MAS intends to complete it within the 2012/13 Business Plan period, or continue it into 2013/14.

#### **Question 6: Our approach to measuring impact**

With respect to MAS's approach to measuring impact, we would make two main points. Firstly, we would reiterate the point made in our response to Question 1, and alluded to in a number of our other answers, that the indicators which MAS is using to measure impact are all heavily action-based and there are prospective limitations to this. As already suggested, we feel that action-based indicators fail to capture certain aspects of people's ability to manage their finances, such as their attitudes towards money and their capacity to make balanced judgements based on their individual financial situation.

Secondly, we note that MAS sets itself a top-level target of generating 480,000 actions over the course of 2013/14. On page 16, it specifies that it expects these to come from 5.4 million unique users. This does strike us as a quite a low conversion rate, and means that MAS expects just 8.9% of unique users to take a positive action as a result of engaging with the Service. We would therefore question whether this represents a sufficiently high return, particularly given the level of resources that MAS has invested in brand-building.

**We would also welcome your answers to the following questions:**

**Question 8: How can we work with you most effectively to make the best use of resources and get the greatest impact for the public?**

The initiatives set out in *Strategic Theme 3* and *Strategic Theme 4* are of the most direct relevance to our work as a financial capability charity. As suggested in our response to Question 5, we believe that MAS can operate most effectively in this area as a thought-leader, and its work to develop a refreshed definition of financial capability and national strategy are therefore particularly important from our point of view. We will comment on these in greater detail in our response to Question 11, but would emphasise at this stage that the biggest difference that MAS could make to our work is to actively engage with us on these two projects, and ensure that we are given the opportunity to contribute meaningfully to both.

**Question 10: How far do you think our approach to debt advice co-ordination will help more over-indebted people get quick access to high quality advice in a way that meets their needs? What more could we be doing to help ensure this?**

The section on *Strategic Theme 2* outlines MAS's plans with respect to debt advice co-ordination. While this contains only limited detail on what MAS will do operationally, we are broadly supportive of its high-level aims. Certain initiatives described in the Business Plan, such as exploring the possibility of establishing a single case-management system for debt advice which provides data in real-time, are very constructive in our view, and we believe that if this sort of system could be established properly it would have the potential to yield significant benefits for those in need of debt advice in the UK.

However, while MAS's plans are certainly encouraging, we would stress that implementing the proposed changes effectively and sensitively will be crucial to their success. The Business Plan rightly recognises the enormous stress that the debt advice sector is under at the present time, and we would emphasise that there is a the need for MAS to work in a genuinely collaborative fashion with the debt advice community if its co-ordination activities are to ultimately deliver improved outcomes.

One point of concern in this respect is MAS's approach to funding the Citizens Advice Bureaux network, and its decision to raise targets for throughput by 50% without providing any additional financial resource. The capacity problems caused by this were highlighted by George Mudie MP during the Treasury Select Committee's inquiry into MAS,<sup>2</sup> and we believe the issue raises concerns about both the direct impact that these changes have had on the quality of advice provided to clients, and MAS's attitude towards engaging with the debt advice sector more widely.

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<sup>2</sup> Uncorrected Transcript of Oral Evidence, *Treasury Select Committee Inquiry into the Money Advice Service* (20 June 2012), Q 283 – available at:

<http://www.publications.parliament.uk/pa/cm201213/cmselect/cmtreasy/uc271-ii/uc271ii.pdf>

**Question 11: What more needs to be done to influence the financial capability landscape in the UK?**

As outlined in our response to Question 8, we believe that the development of a refreshed definition of financial capability and national strategy are two of the most important aspects of MAS's work programme.

With respect to the former, we feel that establishing a definition that is recognised across the sector would help bring an important level of consistency to the debate around financial capability, and enable stakeholders such as ourselves to channel our resources more effectively to ensure they are contributing to the achievement of widely agreed outputs.

The FSA's definition, produced in 2006, is currently the closest thing we have to this kind of established definition. However, in recent years there has been little drive to embed this across the financial capability community, and consequently we do not feel that it is currently being widely used by actors within the field. Therefore, we believe there would be real benefits to the creation of an updated definition which is accepted by all stakeholders, including MAS themselves. We would stress though that in order for this definition to be viewed as legitimate throughout the sector, the process of developing it needs to be an open and constructive one, to enable all stakeholders to take ownership of it.

Meanwhile, a refreshed national strategy for financial capability is something that we believe could be beneficial, provided that it is developed and implemented effectively. We certainly see merit in an attempt to map provision in the UK and identify gaps, as well as the most appropriate ways of filling them, and if a refreshed strategy can help facilitate this then we believe it will constitute a positive endeavour.

However, we would once again emphasise the importance of engaging widely in order to secure buy-in from across the sector for any new strategy. Furthermore, we would also reiterate the point made in our response to Question 5 that, in our view, MAS's decision to restrict its work with adults to action-orientated money advice has the potential to undermine its credibility to some extent, as it means MAS will prospectively have only limited involvement in the delivery of a significant part of its own strategy.

**Question 12: Which other organisations should we be working with to influence the financial capability landscape in the UK?**

As we have stressed throughout this response, we believe that it is crucial for MAS to engage with a broad range of stakeholders if its work programme is to be a success. It is important to recognise that the financial capability community is diverse, and includes a wide range of actors such as ourselves, pfeg, MyBnk, ifs School of Finance, the National Skills Academy for Financial Services and a variety of schemes run by financial institutions themselves. It will therefore be essential to draw on the expertise of all of these organisations in shaping the financial capability landscape moving forward.

### **Closing Comments**

MAS is an organisation with the potential to make an extremely positive contribution to the lives of consumers across the UK. Given its substantial resources, and prospectively central role within both the financial capability and debt advice communities, it is uniquely well placed to help drive improvements in the way that people throughout the country manage their money. However, in order to capitalise on the opportunities available to it, MAS needs to operate in an intelligent and strategic manner, and recognise that it cannot achieve all of its objectives alone.

Throughout our response we have stressed the need for MAS to develop a more integrated strategy, which focuses not on discrete areas of work but instead provides a coherent approach to helping people develop their financial capability – as suggested in our Opening Comments, the three-pronged framework which underpins MAS’s strategy perhaps provides more restrictions than it does clarity in this respect. We have also emphasised the need for MAS to engage constructively with external stakeholders, and demonstrate that it is genuine in its commitment to improved partnership working. To a large extent, we believe that MAS’s approach to these two issues will define the success of the organisation, not simply during 2013/14 but in the years beyond as well.

### **Contact**

For further information on any of the points made in this response, please contact John Davies at Credit Action, either by email at [johndavies@creditaction.org.uk](mailto: johndavies@creditaction.org.uk) or by telephone on 0207 380 3390.