The Money Charity Response – Centre for Social Justice's Call for Evidence on Financial Literacy in the UK (February 2022)

The Money Charity is a Financial Wellbeing charity whose vision is to empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.[1]

We welcome the opportunity to respond to the Centre for Social Justice's call for evidence on financial literacy in the UK. We have responded to each question individually here.

[1] See box on back page.

Answers to consultation questions

Question 1: Do people living in areas of high deprivation face particular challenges regarding financial literacy? How might financial education services for people on low incomes be improved?

We would agree that people living in high deprivation areas can face greater challenges when it comes to financial literacy. People living in these areas are often subject to higher levels of financial exclusion, which means they are less able to access financial products such as bank accounts, insurance and pensions. According to recent research, 1.2 million adults in the UK do not have a bank account (The Money Statistics, January 2022, pg. 17). Financial exclusion can be caused by a range of different factors linked to living in a deprived area or having a low income, including individuals not qualifying for certain financial products because they are deemed to be 'high risk', lack of awareness and understanding about financial products, disability and cultural barriers.

They may also struggle with basic numeracy and literacy skills. Basic numeracy and literacy skills are vital for money management; tasks such as budgeting or reading a bank statement become difficult and daunting if you are unable to add and subtract numbers, or if you struggle with reading English or reading at all.

Digital exclusion is a problem that is linked to financial exclusion. Many people in the UK have unequal access and capacity to use digital tools, such as mobile phones, computers, and internet access. For example, recent estimates suggest that 1.5 million UK households do not have internet access (The Money Statistics, January 2022, pg. 17). The reasons for this can be similar to the factors that cause financial exclusion, which are often associated with living in a deprived area or having a low income. As some financial products are becoming increasingly digitised, with many people now using tools such as online banking, traditional methods of accessing financial products are becoming increasingly less available. Between January 2015 and December 2021, 4735 bank branches closed or were scheduled to close in the UK (The Money Statistics, January 2022, pg. 17). This is a problem for those people who are less able to access digital tools.

However, it is definitely not the case that those on a low income or living in deprived areas are necessarily not good at managing their money. Many are experts at budgeting, making ends meet and switching, because they have to be, living on a low income. The Money Charity delivers our workshops in very diverse groups and settings with those who could be deemed to be more vulnerable. These include the homeless, refugees, women in refuges and fleeing domestic abuse, carers, those with mental and physical health challenges and many more. More support and funding are needed to support the very limited number of charities that operate in this space. In addition, more could be done to merge digital and financial skills training.

Question 2: Do you have suggestions for how government policy can improve financial education in school and/or at home to ensure young people enter adulthood financially capable?

Helping young people become financially capable should start as early as possible in the home and as part of the school curriculum. All primary and secondary school students, in all types of schools, should receive meaningful and engaging Financial Education, supported by adequate resources, including for the engagement of external experts, adequate teaching time and teacher training. Financial Education should be a statutory part of the PSHE curriculum and be Ofsted-inspected and examined.

The Money Charity delivers Financial Education in schools, colleges and other settings, reaching 20,000+ children and young people each year. We have found from our many years of experience that Financial Education works best when it is positive and aspirational, ensuring that young people are not scared off money management. Financial Education should be engaging and interactive, using anecdotes, personal stories and statistics to bring money management to life. It should always be relevant to young people without being condescending. Given the opportunity, children and young people become highly engaged with Financial Education, which reinforces other aspects of their learning. We wish to see this positive experience made accessible to all children and young people throughout their school years in ways appropriate to their age and background.

In September 2014, after a campaign by the Financial Education sector, supported by Martin Lewis of MoneySavingExpert and MPs from the All Party Parliamentary Group on Financial Education for Young People, the government made Financial Education a statutory part of the national curriculum in England. However, it decided to include it in Mathematics and Citizenship, rather than into PSHE (the most appropriate place currently for Financial Education) and failed to provide the resources needed to make it happen. As a result, Financial Education in schools remains patchy and of low priority. Many teachers remain unaware that Financial Education is on the curriculum. The majority of delivery remains to be done.

Currently, no one organisation is responsible for Financial Education in the UK, with responsibility for various elements split between the DoE, DWP, MAPS, local authorities, schools & teachers, charities and financial services firms. In order to rectify this, we need clear responsibility and accountability plus a sustainable earmarked funding stream (potentially from Dormant Assets).

We have a range of further suggestions as to how the delivery of Financial Education could be improved across schools:

- Children and young people of all ages should receive meaningful Financial Education throughout school and college, with Financial Education being a statutory part of the PSHE curriculum.
- MAPS should calculate the total funding requirement for comprehensive Financial Education in schools and colleges and as well as that needed to reach its 2030 strategy goal, and then advocate, campaign for and contribute to the sustainable funding stream (combination of Government funding and industry levies) needed to meet this requirement.
- Financial Education should be added to the primary curriculum.
- These commitments should be supported by sufficient teaching time, clear school leadership, additional resources and teacher training.
- Budget should be available to engage external experts, such as The Money Charity, to deliver Financial Education as part of the school programme.
- Young people with specific needs should receive Financial Education tailored to these needs in and outside of schools.
- Financial Education should be Ofsted-inspected and examined, to ensure prioritisation by schools and colleges.
- For post-16 students, PSHE Financial Education should be included in the T-level core curriculum, with meaningful outcomes for each learner, including a financial plan to support them as they transition to adulthood
- When Financial Education in schools is evaluated, the standard applied should be consistent with that of other subjects, adjusted for the lower frequency and duration of Financial Education compared to most core subjects.

Regarding how Financial Education for young people at home could be improved:

- Local authorities looking after children in care and care leavers should be responsible for providing Financial Education to them. A budget should be available to contract external experts, such as The Money Charity, who have experience in delivering Financial Education Workshops to young people in care and to care leavers.
- Better support and Financial Education resources should be available to parents looking after children at home, and particularly parents of children who are being

home-schooled. This will be a matter of catering to the needs of individual families. For example, some families will only need simple online resources, others will need much more comprehensive Financial Education courses and more specific direction.

- The Money and Pensions Service has an established approach to working with parents to deliver Financial Education at home. They developed ‘Talk, Learn, Do’ as a parenting intervention with the objective of helping parents improve their children’s Financial Capability. The 2-hour sessions encourage parents of 3–11-year-olds to talk to their children about money and create opportunities for their children to experience managing money. We understand this approach is to be built upon to deliver Financial Education to a wider range of young people.

Question 3: Do you have suggestions for how government policy can develop and maintain Financial Capability for adults across the lifespan (young adults, mid-life, elderly) to ensure lifelong Financial Capability? (Please address each adult age group if necessary).

We recognise that people have discrete and real financial needs at each different stage of their lives. It is therefore important that people can access financial capability support & training when they need it at every stage of life.

We suggest that some of the responsibility for providing this support should be shared with the state by employers. Providing support to maintain financial capability should be part of a wider employee wellbeing strategy for employers. This is increasingly becoming the norm for many employers but there are many more who do not yet offer something in this space. In our work as a charity, we work with hundreds of employers of all sizes delivering our Financial Wellbeing workshops and webinars to employees. In addition, as set out above, we also work in the community reaching all ages and groups of people:

- Young adults (16–24-year-olds) face specific financial challenges, for example, many young adults find themselves excluded from entering the property ladder for the first time due to rising house prices. Many of the suggestions we made in our answer to the previous question (how to improve financial education at school and at home to ensure that young people are financially capable as they enter adulthood) will be applicable to young adults, however it is important to recognise that 16–24-year-olds do face their own separate financial challenges, and so they are a particularly important group to support.

- Whilst not an age group, women as a separate group face specific key financial issues. For example, women experience the gender pay, pensions and savings gaps. These can be linked to women being more likely to take career breaks to look after children and elderly relatives. Women are subject to gender price discrimination when buying ‘female’ goods, also known as the ‘pink tax’, and are also more likely to be victims of financial abuse. These are just a few examples of the financial issues that women face, and for women to achieve financial wellbeing it's important that they are recognised and addressed.

- Pensions are arguably the key financial issue that people face once they reach mid-life. Increasing use of auto-enrolment on to employer pension schemes gives many people a false sense of financial security, and the wrong impression that they don’t need to worry about contributing more to their pensions. We believe that people must be made more aware of the importance of making better contributions to their pensions before they reach this stage of life. However, we recognise that this presents a challenge, as many people at earlier stages in life have more pressing financial needs (such as looking after children or buying a house), and so are unable to make pension contributions a priority.

- Elderly people are a group that are more likely to experience financial and digital exclusion, as discussed in our answer to the first question. We also recognise that there are many elderly people who aren’t aware of financial support that is available to them, such as benefits and grants, and may be unsure of where to look for help if they get into financial difficulty. They are also more likely to be victims of scams. We think that elderly people could benefit from financial and digital inclusion workshops and money safety awareness campaigns.

Question 4: What role should the government play in ensuring consumers are educated about and protected against the risks of new financial products?

In recent years many new kinds of financial products have emerged that are not covered by existing regulation. Whilst the latest generation of buy-now-pay-later loans are shortly to come under regulation from the Financial Conduct Authority, their emergence illustrates the possibility for other new, potentially harmful, financial products to emerge in the future that escape existing regulation. Currently, no organisation has a clear mandate to educate and protect consumers against the risks of new financial products, although we would strongly agree that there should be. We think that this responsibility should be held either by the Money and Pensions Service or the FCA, or alternatively shared between them.

The Money Charity is the UK's Financial Wellbeing charity providing education, information, advice and guidance to all.

We believe that everyone achieves Financial Wellbeing by managing money well. We empower people across the UK to build the skills, knowledge, attitudes and behaviours to make the most of their money throughout their lives, helping them achieve their goals and live a happier, more positive life as a result.

We do this by developing and delivering products and services which provide education, information and advice on money matters for those in the workplace, in our communities, and in education, as well as through influencing and supporting others to promote Financial Capability and Financial Wellbeing through consultancy, policy, research and media work.

We have a 'can-do' attitude, finding solutions to meet the needs of our clients, partners, funders and stakeholders.

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