The Money Charity response to the DfE call for evidence on PSHE (Nov 2018)

The Money Charity is the UK's leading financial capability charity.

We believe that being on top of your money means you are more in control of your life, your finances and your debts, reducing stress and hardship. And that being on top of your money increases your wellbeing, helps you achieve your goals and live a happier more positive life as a result.

Our vision is for everyone to be on top of their money as a part of everyday life. So, we empower people across the UK to build the skills, knowledge, attitudes and behaviours, to make the most of their money throughout their lives.

We believe financially capable people are on top of and make the most of their money in five key areas:

- Planning (including budgeting)
- Saving
- Debt
- Financial services products
- Everyday money (including wages, cash, bank accounts)

the MONEY Charity

Key Points

- The Money Charity disagrees with the decision not to make economic education compulsory alongside health education within the PSHE syllabus.
- The issue is not just post-16 education, but adequate financial education at all ages through primary and secondary education.
- PSHE is the right place for financial education, and it is through this part of the curriculum that The Money Charity delivers most of its workshops for school students.
- Relying on the Citizenship and Maths curricula for financial capability education is not working as a strategy for reaching the majority of students.
- We renew our call for the Government to legislate statutory PSHE for all primary and secondary schools.
- In the immediate future, we agree that more needs to be done to provide financial education to post-16 pupils. As a lead provider of financial education in schools we are not yet aware of any initiatives by the DfE to ‘kick off work with organisations offering support on financial education in schools’ which the consultation document advances as a reason for not making economic education compulsory. We welcome the Department’s intention to launch such a work stream and look forward to an invitation to participate.
- We propose a number of initiatives for DfE and schools to take to remedy the financial education gap for post-16 students, particularly prioritisation, leadership, resourcing and support for delivery agencies such as The Money Charity. See page 12 of this response for details.

What this response does

This response is divided into two parts. In Part 1, we reiterate our argument that economic education should be made compulsory for all school students within the PSHE syllabus. In Part 2, we answer Question 25 from the consultation document, the question referring specifically to post-16 financial education.

Part 1: economic education should be made compulsory for all students within the PSHE syllabus

The Money Charity disagrees with the decision not to make economic education compulsory alongside health education within the PSHE syllabus. We urge the Secretary for State to reconsider this decision. In our view, the reasons given for separating financial education from health education are not backed by research findings and do not reflect accurately the responses to the December 2017 Call for Evidence.

In announcing the decision to exclude financial education from the compulsory aspect of PSHE, the Secretary of State said:

> "Financial education is already in the curriculum, in Maths and Citizenship, and careers education is an important part of our Careers Strategy. For these reasons, we do not consider that economic education should be made compulsory."

Important though careers education is, we do not see its relevance to the issue of including financial education in PSHE. Careers education does not cover the financial capability skills addressed in PSHE-economic and should not be used to justify a downgrade in the priority of the economic stream of PSHE.

Relying on the Citizenship and Maths curricula for the teaching of financial capability does not work as a strategy due to time pressure on the maths curriculum and the implication that financial capability has a low priority because it is not examined in Citizenship at GCSE level or inspected by Ofsted.

Distinguishing financial education from health education will send a negative message to teachers and schools, along the lines of 'as it hasn't been prioritised, it doesn't matter'. The current level of teaching of financial capability could actually be damaged.

The Money Charity supports the joint call of the Youth Financial Capability Group to make economic education compulsory within PSHE

As we argued in our 8 February 2018 joint letter with the Youth Financial Capability Group to the Minister for Education:

> "The Minister of State has an opportunity to accelerate the provision of effective financial education for all young people by choosing to legislate statutory PSHE for all primary and secondary schools. Such a move would consolidate the current prevailing, piecemeal situation of money lessons in schools. The evidence is, habits are being formed around the age of seven[1] and children begin to use money from that age. Early intervention in primary schools to build positive spending and savings habits could set up a child for life. Good habits can then be reinforced and built upon regularly through secondary school, consistent with a child's growing exposure to and use of money. Thus, building financial capability.
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> "Statutory PSHE will ensure space is made available in the school day. It will also improve coherence, bringing the same approach to all secondary schools - LEA maintained, academies, free and independent. Presently, LEA maintained secondary schools must provide financial education up to GCSE age within mathematics and citizenship, a subject that less than 5% of students take as a

[1] *Habit Formation and Learning in Young Children*, Money Advice Service, 2013.

> GCSE. Evidence suggests this approach is not working.[2] Independent schools must provide financial education within PSHE. Academies and free schools have been excluded.
>
> “Our experience is that PSHE teachers already generally have sole responsibility for financial education in schools. Formalising this and clearly allocating time will provide a stronger platform for success and a simpler structure for Ofsted and others to assess.”

This position, we believe, is right in principle, because PSHE is the appropriate place in the curriculum for financial education. It also reflects the practical experience of The Money Charity. We deliver financial capability education in schools, and the majority of our delivery (up to 60%) takes place through PSHE. Maths accounts for only 17% of our delivery and Citizenship 2%. Although the maths and citizenship curricula have some bearing on financial education, based on our experience relying on these subjects will leave the majority of school students unprepared for the complexity and significance of the financial decisions they will be forced to make early in their adult lives.

Responses to the December 2017 Call for Evidence support our position

Furthermore, responses to the December 2017 Call for Evidence support our position. The consultation document quotes selectively from the findings from the Call for Evidence, saying that respondents supported the need for teaching about physical and mental health (Consultation Document pages 8 and 14), while failing to mention that respondents also supported financial education. The IPSOS Mori summary of the Call for Evidence shows that financial education and health education were supported by similar numbers of respondents:

> “Turning to **PSHE**, when asked the most important subjects to be taught at secondary school, **physical health** (4,662, **24%**) is mentioned by the highest proportion of adult respondents. This covers subject areas including the importance of healthy eating, weight management and physical activity. **Mental health** is also raised as an important subject by a substantial proportion of adult respondents (2,968, **20%**). Some young people reflect this viewpoint, stating that they would like to know more about mental (269, 17%) or physical (161, 11%) health.
>
> The importance of teaching **knowledge to support success in adulthood** was raised by a substantial portion of adult respondents (2,986, **21%**) and some young people also reported wanting to know more about this subject (251, 15%).

[2] *Financial Education in Schools: Two Years On - Job Done?* All Party Parliamentary Group on Financial Education for Young People, 2016

> **Respondents primarily focused on the importance of teaching management of personal finances and budgeting**." (Consultation Document page 38)

These findings show that respondents view physical health, mental health and financial health to be of equal importance, which we believe they are. Furthermore, there is a reciprocal relationship among them – physical or mental ill health can often lead to financial ill health and *vice versa*. Mental health, in particular, can be badly damaged by financial stress. This also applies to abusive relationships, especially relevant to women and girls. Abuse tends to be multi-dimensional, involving not just physical and psychological abuse, but financial abuse as well. In the classroom context, it makes no sense to separate financial abuse from other aspects of relationship abuse. Other aspects of PSHE, such as drugs and online safety, similarly have significant financial dimensions and cannot be taught in isolation from these.

Behavioural economics has found strong links between psychological states, or habits, that lead to taking physical or mental risks, and those connected with financial risk.[3] The literature finds that teaching 'sensible rules of thumb', the sort of approach likely to be taken in PSHE, is more effective than teaching technical skills.[4] There is therefore no basis in fact or theory for segregating financial education and treating it differently from education about physical and mental health. Doing so is likely to frustrate the achievement of the overall goals of the PSHE programme.

This view is reinforced by the following considerations:

Under the UK's approach to financial regulation, consumers are expected to take responsibility for complex and risky financial decisions

The UK has a highly financialised economy in which consumers are presented with an array of invitations to purchase financial products, including many with non-transparent terms and high rates of interest. There are many opportunities to make mistakes and the UK's debt charities see a regular flow of people who have fallen into financial distress from excessive use of credit or from encountering an income shortfall. Furthermore, the UK's financial regulator, the Financial Conduct Authority, expects consumers to take responsibility for their own decisions.[5] This model, based on an assumption of *caveat emptor*, requires a financially sophisticated population. Financial capability therefore needs to be taught properly during the school and college years.

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[3] See for example Richard Thaler and Cass Sunstein, *Nudge – Improving Decisions about health, wealth and happiness*, Penguin, 2009, in particular Chapter 1 'Biases and Blunders', Chapter 2, 'Resisting temptation' and Chapter 3, 'Following the herd.'

[4] Ibid, page 121.

[5] *FCA mission: Approach to Consumers*, Financial Conduct Authority, 2018, page 9.

Long-term financial decisions are often made soon after leaving school or college

As well as complexity, many financial products differ from routine consumer goods in that they involve long-term commitments that are purchased irregularly, sometimes only once in a lifetime. A mortgage may last 20-30 years. A pension is designed to last a lifetime. Student debt may take 30 years to pay off, or never be paid off. With products such as these, the consumer does not have the opportunity to learn by making mistakes in the course of repeated purchases.[6] It may be impossible to exit from a mistake that can lead to years of pain, or even personal bankruptcy. The consumer has a 'one shot' chance of getting it right. Long-term financial commitments begin shortly after young people leave school or college and it is essential that they are properly prepared for these decisions.

Surveys of the young UK population show significant gaps in financial capability, indicating the scale of the challenge for financial education in schools and later in life

Recent segmentation research by the Money Advice Service has found that undergraduate university students fall into five categories in relation to financial capability. Three of these groups, accounting for 53% of undergraduates, are at risk of, or are in trouble, from limited financial capability:

Table 1: Financial Capability Segmentation of Undergraduate Students (2018)

Group label	Proportion of undergraduates	Key characteristics
Supported and sensible	25%	Limited financial knowledge but buffered by parental resources
Confident and thrifty	22%	Tight budgets but good money managers
Inexperienced and at risk	17%	Living at home, parents look after finances, lack knowledge for independent financial living.
Anxious but spending	21%	Poor at tracking spending; have fallen into debt despite often having jobs; often private renters; do not have a plan to improve their financial situation.
Disengaged and overwhelmed	15%	Deeply in debt and fatalistic. Tend to use short term loans and overdrafts to stay afloat. 30-40% of this group gave

[6] Repetition, practice, simulation and 'trial and error' are key aspects of the normal learning process.

		wrong answers to MAS's financial capability test questions.[7]

Source: Money Advice Service & YouthSight, June 2018

These are undergraduates who have recently left the school system, so their financial capability deficits show the scale of the challenge for financial capability education in schools. For example, this is what the researchers say about the 'inexperienced and at risk' group (17% of undergraduates):

> "This group doesn't know much about the money they owe or the products they have, despite being generally well-intentioned.
>
> This group doesn't currently keep a daily budget, so may need help in the future when budgeting for the first time.
>
> This group is willing to reach out, but doesn't know who to reach out to.
>
> This group doesn't know how to budget and keep track of their money. Advice on this would be very helpful."[8]

Further, the research confirms that the barriers to financial capability are not purely technical, in the sense of maths skills, but involve social and behavioural attitudes. The right place for schools and colleges to address these deficits is within PSHE, in a holistic way. For example, the 'anxious but spending' group (21% of undergraduates) tend to:

- Buy things on impulse
- Run short of money due to overspending
- Find it more satisfying to spend money than save
- Buy things when they can't afford them
- Feel under pressure to spend[9]

The researchers say that this group 'try their best, but struggle with planning for tomorrow and don't have the good habits to pay their debts off on time.'

Responding to such behavioural challenges, an important aspect of financial capability education (including the workshops run by The Money Charity) is to get participants to identify the urges that drive them, their goals and priorities, the risky behaviours or feelings that may get in the way of good decision-making and the strategies they can use to mitigate these risks.

[7] These are relatively simple questions about the amount earned in interest on savings and the impact of inflation on savings.
[8] *Student Diagnostic Tool – A YouthSight report for the Money Advice Service*, June 2018, page 38.
[9] Ibid, page 42.

Other research by the Money Advice Service suggests that the characteristics of undergraduates are representative of those faced by the young adult population as a whole. In its January 2018 report *Young Adults and Money Management: behaviours, attitudes and useful rules of thumb*, MAS found that:

> "Many young adults can't recall receiving any tips or guidance about managing their money – this was true of about half of workshop participants.
>
> A large majority of young adults (85%) wish that they had been taught more about money management while they were at school or university, and feel their life would be better as a result.
>
> In particular, young adults wish they had been taught more about credit, investments and budgeting – credit is often viewed with considerable fear and from a position of low knowledge." (Page 3)

UK economic data show low levels of savings and growing levels of consumer debt

Given the above findings, it is not surprising that UK economic statistics reveal many indicators of financial trouble among the UK population as a whole. For example:

- Personal debt reached £1.6 trillion in August 2018, an increase of £850 per person over the last year.
- Average student debt of the latest student cohort to begin repayments was £32,220.
- Outstanding mortgage debt – driving house price growth that has put home ownership out of the reach of many young people – reached £1.4 trillion in August 2018, an increase of 183% since January 2000.
- The household savings rate in Q2 2018 was only 4.4%.
- Only 45% of working age adults contributed to a pension in 2016/17, despite the relative success of auto-enrolment.[10]

Rather than being led by investment and exports, the UK economy tends to be led by household debt and consumption, consistent with the indicators of low financial capability and financial stress published by ourselves, the Money Advice Service and other agencies.

Significant numbers of UK consumers show signs of financial stress

There are many indications of financial stress in the statistics published by various UK agencies:[11]

[10] The Money Charity, *The Money Statistics*, October 2018.

- 301 people per day were declared insolvent or bankrupt in April to June 2018.
- There were 2,920 Consumer County Court Judgements every day in Q2 2018.
- Citizens Advice Bureaux in England and Wales dealt with 2,310 new debt problems every day in September 2018
- 12 properties were repossessed every day in Q2 2018, one every two hours.
- 324 landlord possession claims and 250 landlord possession orders were made every day.
- In September 2018, the Money Advice Trust reported that among those calling for debt advice there has been a large growth in 'smaller but trickier debts' arising from utility bills and Council Tax.[12]

The above evidence underlines the need for comprehensive financial capability education in schools and colleges. We therefore renew our appeal for the Government to legislate statutory PSHE for all primary and secondary schools. We request the Secretary of State to review his earlier decision and adopt the logical and sensible approach that all aspects of PSHE, including financial education, be given statutory force.

Part 2: our answer to Question 25 in the Consultation Document, regarding the needs of post-16 students

More needs to be done for post-16 students

Pending reconsideration of the overall position for financial education within PSHE, we agree that more needs to be done for post-16 students. This is a critical age for financial education, coming shortly before students leave school or college to go into the workforce or into continuing education. As they enter adult life they will be seeking employment, paying rent, opening bank accounts, acquiring debit and credit cards and/or incurring high levels of student debt. It is hard for people with no previous experience of debt to fully understand the implications. In the short run, debt appears as 'available money', whereas the long-term effort and pain of servicing and repaying debt is unlikely to be appreciated. It is only after people have been through a cycle of incurring and repaying debt that they fully grasp its nature. This learning challenge is accentuated by the way humans experience time: we tend to discount the future at a high, non-linear rate. Financial obligations occurring in the future, particularly for young people, may be disregarded, their full impact only appreciated long after the relevant decisions have been made. Good quality financial education in schools and colleges

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[11] Ibid.
[12] Money Advice Trust, *A Decade in Debt*, September 2018.

that is ‘just in time’ before financial independence can alert young people to the pitfalls that lie ahead and better prepare them for making crucial decisions when they occur.

Evidence from our workshops

We see these issues vividly in our workshops. For example, students tend to get different types of debt confused, with contradictory consequences. Some will be aware of the terms of student debt and assume that these terms apply to credit card debt as well, not understanding the high interest rates and repayment obligations that apply to credit cards. Other students will be aware of the terms of credit card debt and assume these apply to student loans, resulting in a strong desire to avoid student debt, to the point of not pursuing further study. These reactions illustrate the life-changing nature of decisions young people are called upon to make while still in their teens.

We also note that students often have a low awareness of the precise terms of their rights, for example, the rate of the youth minimum wage, the rate of apprentice wages, tax rates, the repayment terms of student debt, the State Pension Age, the rate of the State Pension etc. If they do not receive quality financial education at school they will begin making decisions affecting their life chances in a knowledge vacuum.

Evidence from the literature

Studies of financial capability[13] have shown that financial education is most effective at the point when decisions are made and when tailored precisely to the decision being considered. So strong is this finding that the Money Advice Service has made it one of the themes of its recent review of the evidence of developing financial capability in children and young people: ‘Theme 5: Timing and context are important – the “just-in-time” or “teachable moment” approach appears to amplify effectiveness.’[14] A ‘teachable moment’ is a moment when a person is developmentally ready to absorb a new skill or attitude, usually when facing a life transition such as leaving home, getting a job or opening a bank account for the first time.

This finding makes even stronger the case for post-16 financial education, because this age is the moment when big vocational and financial decisions are imminent and when it is vitally important that young people are able to make well informed choices.

[13] See, for example, Nathalie Spencer and Jeroen Nieboer with Antony Elliott, *Wired for Imprudence – behavioural hurdles to financial capability and challenges for financial education*, RSA, 2015, pp 34-35, 38-39.
[14] Money Advice Service, *Developing Financial Capability in Children and Young People – A Review of the Evidence*, September 2018, p 17.

In 2016, we surveyed UK schools seeking feedback on progress with financial education in its first two years of being part of the curriculum. The results of this survey[15] showed that despite being on the curriculum, financial education was falling through the cracks. Teachers felt they were unprepared to teach financial capability effectively, that it was difficult to find teaching time and there had been little change in available resources. Respondents doubted that the financial education being provided was very effective. This despite the fact that respondents were enthusiastic about the idea of teaching financial capability, saw how important it was for students and felt that it should be a higher priority than some of the other subjects in the curriculum.

Other problems were lack of prioritisation, lack of clear leadership, schools favouring examined and inspected subjects, lack of skills and inadequate funding.

The introduction of T-levels offers an opportunity to embed financial capability

This year has seen preparation for an exciting programme to upgrade UK technical education – the introduction of T-levels, which combine workplace experience with strong classroom learning and a recognised qualification with status. This is a perfect opportunity to embed financial capability in post-16 learning for those who are less likely to take tertiary academic qualifications.

Including financial capability as a core part of the T-level curriculum would be particularly appropriate, as T-levels are specifically aimed at preparing young adults for employment and involve workplace placements as a core component, in which the financial aspects of employment and training (wage rates, taxes, National Insurance, maintenance loans, bursaries, reimbursements, etc) are likely to figure.

In addition, there is a vocational aspect to financial capability as many jobs in a services-based economy such as the UK's involve handling money, taking payments, entering financial data into computer systems, reading budgets and understanding the idea of keeping to a budget, classifying spending (eg via cash register visual displays), using calculators and/or spreadsheets, etc. A trainee who has developed personal financial capability will be much better placed to understand what is going on in an employer's ordering, budgeting and payments systems, and also will not embarrass the employer by making mathematical or other elementary financial mistakes in front of customers.

[15] *Financial Education in Schools – how to fix two lost years*, The Money Charity, 2016. Available at: https://themoneycharity.org.uk/media/Financial-education-in-schools-why-we-need-direct-delivery.pdf

Practical solutions

In the preamble to Question 25, the consultation document suggests that the Department for Education has been ‘kicking off work with organisations offering support on financial education in schools’ and uses this to justify the decision not to make economic education compulsory within PSHE. As a leading provider of resources and workshops for financial education in schools, **we are unaware of any new initiative along these lines by the DfE**. This is clearly a gap that needs to be remedied. We welcome the Department’s statement of intent and look forward to being invited to participate in a programme of work on financial capability education in schools and colleges.

To better address the financial education needs of post-16 students we submit that DfE should:

1. Define what has to be done

Use the Further Education Planning Framework[16] developed by the Money Advice Service and Youth Financial Capability Group to define outcomes for meaningful post-16 financial education. This should include an entitlement for each learner to a financial plan to support them as they transition to adulthood.

2. Use proven methods

Define who in the school or college is responsible for leading financial education; use outside experts such as The Money Charity and others specialising in financial education; make sure teachers are properly trained in financial education.

3. Provide money and other resources so that schools can comply

As an indicative budget, we suggest £30-£50 per student as an initial target.

4. Put in place the mechanism(s) to ensure it is done

Include PSHE financial education in the T-level core curriculum; make PSHE with financial education an examined subject; require it to be inspected by Ofsted.

We would be happy to discuss in more detail with DfE a programme along these lines.

(end)

[16] https://www.young-money.org.uk/resources/details/financial-education-planning-framework-1119-years