The Money Charity response to the MAS Business plan 2016/17

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, and that this, reduces stress and hardship, 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)

Summary

1. The MAS Business Plan 2016/17 presents welcome aims of a statutory body that champions and fosters financial capability and provides money advice and information universally, addressing the needs of most people in the UK.

2. However, The Money Charity has concerns about the readiness of the Business Plan to deliver on all the aims. We spell these out in broad terms in this introduction then look in greater detail at each of the chapters in the Business Plan from paragraph 21 onwards.

The prioritisation of debt advice

3. In certain strands of work The Money Charity can see that detailed and credible plans are in place to achieve the stated aims, but in others we fear that this is not the case. We support the six aims of the business plan, but are concerned that disproportionate resources and more specific, better developed plans for the debt advice work will overshadow other strands where plans are far less detailed and rely on thinner resources. Debt advice must be a core part of MAS' work, but even if it is accessed earlier by those with problem debt, it does not itself do much for wider financial capability, which cannot be improved with the general population without equal focus on the other five aims.

4. The problem is not that the other aims are wrong, but that they are not accorded the same detail and focus as the debt stream. Aside from where it addresses debt, the plans read as if MAS were a new organisation: the tone is vague, tentative and exploratory or, in a couple of instances, very specific and narrow with small interventions such as savings pilots. This description can be applied to Chapters 3, 4, 5, and 6, all of which outline aims we support, but provide little sense of what MAS' work will look like in three years' time.

5. Add to this the growing disparity in budget between the debt advice and money advice strands – once core back office support and other cost have been taken into account, the money ratio is nearly 2:1 – and it is difficult to escape the conclusion that MAS risks becoming a debt advice commissioner with a few financial capability side projects, losing both its universal remit and undermining its capacity to do preventative work.

Under resourcing of collaborative aims

6. Part of the driver behind the prioritisation of debt over other streams of work is the concrete outcomes of debt advice set against the more diffuse and softer outcomes of other aims. When you can weigh up debt advice sessions delivered and their quality versus outcomes for guidance and advice or financial education, the logical conclusion for many stakeholders will be to double down on debt advice because it is easier to see that it works.

7. The danger of putting resources and concrete plans with measurable outcomes into one stream of work, and not having such developed and resourced plans for other streams is that government and other stakeholders will conclude that debt advice works and other streams do not to the same extent, creating self-perpetuating pressure to funnel more resources into debt.

8. MAS should be mindful of this and find within money advice and financial capability clear deliverables for consumers that will allow it champion this work.

9. As well as the shift from financial capability towards debt advice, we are concerned that certain streams of work lack specific plans to justify the levels of funding allocated to them, while others are clearly under-funded.

10. Taken together, aims 3 and 4 are allocated £16.8 million (69% of the deliver budget in money advice). Worryingly these two chapters have less detail in their plans than the others, leaving us deeply concerned that there is a strategic misallocation of funds. This worry is made particularly stark by the clear under resourcing of sector wide evaluation and delivery through others, which has less that £1m allocated across Aims 1 and 6.

Narrowing MAS' focus to financial resilience

11. In the introduction, the Business Plan aims to *'strike a balance between three competing categories of need'*:

    - helping people who are already in severe financial difficulty (the paramount aim of our debt advice work)
    - carrying out preventative work to ensure adults, children and young people have the ability to avoid severe financial problems in the first place
    - helping people who don't have financial problems, but who could be making more of their money if they took better decisions.

    This is a useful conceptual breakdown of consumer segments with different needs that MAS should serve, and we agree that a balance needs to be suck when allocating resources.

12. However, the decision to narrow the focus on *'financial resilience'* has been made without full explanation. We recognise that the most urgent social need – and the focus of many of MAS' stakeholders - is on the prevention of crisis, so this decision makes sense on some level.

13. However, this must be understood as a three-year decision that will define and direct MAS' work going forward. Any organisation can pay attention only to a limited number of driving principles, and if enhancing '*financial resilience*' is chosen, it will become central to MAS' culture and draw future efforts towards those who are squeezed and struggling - away from other groups.

14. There is a universal remit, and we fear that if this is the focus, and debt advice is receiving nearly two thirds of the delivery budget, it will come to define the work that

MAS does. MAS then risks becoming seen popularly as an organisation set up to serve those who are in financial problems or who are in danger of falling into them. Ultimately, the effect of this is that the public and stakeholders will stop seeing MAS as somewhere to go for universal money issues.

MAS as a champion

15. MAS promises to *'act as a champion for financial capability'*. This is very welcome as there is currently no single organisation with the capacity to perform the role of championing financial capability across society, industry and government. In order to achieve this end in cooperation with partners in the financial capability space, MAS has to have a clear vision and be strident about it.

16. We want to support the change in corporate culture that this will take. If MAS wants to be a champion, it must have a voice and see itself as a campaigning organisation challenging government, industry and other stakeholders – and should not see itself as hamstrung in a neutral or quasi-civil service role.

Finding '*what works'* in financial education, not just that something works

17. MAS makes the argument that while we do not currently know what works in financial education or how to scale interventions that do, in three years' time we will do. As a provider of financial education in schools across the UK, The Money Charity is particularly interested in supporting this work. We believe that, if it is to be delivered at scale, financial education needs a champion that can coordinate, evidence and resource interventions.

18. Projects are in train which could theoretically achieve this end, but the devil is in the detail:

    - Unless plans to evaluate interventions in schools evaluate a range of interventions, we will only find out whether a specific intervention works, not what works best.

    - The evaluation of providers requires the participation – and significant resources – from providers. Without both funding and practical support, we do not believe that 10 or more delivery organisations will sign up and sustain involvement with MAS' evaluation.

19. Without thoughtful design and adequate resource allocation, there is significant danger that these efforts will not leave us in a significantly better position than we are in now. We may have some successful pilots and some organisations may have improved their evaluation, but we will not have a comprehensive understanding of how different forms of financial education compare to one another, so will have a weak basis for policy going forward.

20. A fuller commentary on MAS' plans for financial education can be found in the response to Chapter 6.

Chapter 1 – Succeeding through partnerships

21. The delivery of the UK Financial Capability Strategy is dependent on partnerships built across the sector. So Chapter 1 is key to the success of failure of MAS' vision over the next three years. Though the commitment to succeed through partnerships is welcome, it is not clear yet from the plan how '*working together in a co-ordinated way*' and '*shared goals*' will come about. We look forward to working with MAS and will take any opportunity to help develop these plans further.

22. We are concerned that the plans presented for building partnerships in year one will not move things forward, falling well short of what will be needed:

    - The governance and steering groups have already been set up. What is needed now are concrete action plans and clear allocation of responsibility to members and stakeholders. This urgency is not present in the Business Plan.

    - Development of composite measures of financial capability and evaluation tools will help build the evidence base, but only with buy-in from across the sector. This will only happen with tangible financial and logistical support. We currently see no credible plans – or the required resources set aside – for achieving this. (see paragraphs 25 and 26)

    - New initiatives such as the parenting pilot and the EEF trial are positive standalone programmes, but do not add up to something that brings the sector together around the mission of finding out what works and how to scale change. In order to achieve this there needs to be well-supported comparative analysis of a wide range of interventions in each area.

23. We welcome strongly the commitment to '*act as champions for financial capability'*, and believe that this is where MAS needs to be - certainly there is currently no single organisation with the capacity to perform this role of championing financial capability across society, industry and government. We also welcome the collaborative approach. Leadership in financial capability can only be achieved by bringing organisations together around a collective agenda.

24. However, as argued in paragraphs 15 and 16, MAS has to embrace the corporate culture of a campaigning organisation in order to do this. In our experience MAS sees itself as part of a regulatory family, and employees view themselves as quasi-civil servants whose job is not to argue for policies or campaign, but to fulfil a remit. In order to be a champion, MAS must embrace cultural change and become more strident.

25. As commented on with the financial education work, the creation of a '*robust and credible set of composite measures of financial capability'* and tools for evaluation will not automatically be adopted by partners across the financial capability space. Particularly for financial capability work with young people where established groups have developed their own evaluation methods, partners will need practical and

financial support to achieve this end. For adult interventions as well, resources will be needed to help develop evaluation capacity as well as delivery.

26. Unless a broad range of partners sign up and sustain their involvement with the IMPACT principles, the evidence will not be robust or of much use comparing different interventions. So it is vital that resources be put into supporting organisations if this end is to be achieved.

Chapter 2 - earlier and wider access to debt advice

27. We support the aim to ensure that people have earlier access to debt advice. Debt advice organisations have led on this challenge by offering free advice to a wider cohort of consumers, and it is welcome to see MAS supporting this aim.

28. In a time of squeezed budgets, we welcome the relatively stable budget and expanding provision of the debt work. We also support the aim of improving clients' financial resilience through partnerships and peer-to-peer programmes. However, debt advice, even if it reaches consumers early and prevents problem debt turning into a crisis, cannot achieve the same preventative outcomes that financial education and money advice can. So the sustained budget for debt advice should not come at the expense of the rest of MAS' work.

Chapter 3: more people budgeting and saving

29. Chapter 3 presents a compelling argument for *why* we need to help more people to budget and save, but we would like to see more detail of how this is to be achieved. Currently the work consists of a pilot proposed initiatives and partnerships with industry. These are all potentially promising interventions, but we would want to see these plans developed in a transparent and collaborative way during 2016/17. The Money Charity would be interested in supporting this work.

30. Universal Credit represents a huge change to the way that consumers interact with the benefits system. These changes and the uncertainties they produce require a specialist body able to provide the information and advice, so we support MAS' support of UC claimants. If MAS does use this opportunity to *'test interventions aimed at improving financial resilience'*, this process should be collaborative, bringing in expertise from partner organisations who are already delivering these kinds of interventions.

Chapter 4: improving access to guidance and advice

31. While the aim of improving access to guidance and advice is something we support, the plans outlined in Chapter 4 lack detail or a clear vision of what this strand of work will look like once underway.

32. MAS has already invested in a website and some good online tools. It is not clear from the Business Plan the extent of the development and refinement of tools and

content that is planned. But with an allocated budget of over £3 million for digital and marketing, we fear that too much money is going to be spent on replacing web tools that could be spent elsewhere. Particularly with the budgetary pressures, we recommend that website development be evolutionary rather than revolutionary, and retain a low budget. MAS should not seek to replace existing content wholesale.

33. We are worried about the transfer of £1.9 million away from the face-to-face service to core debt advice funding. For the reasons argued in the introduction and in our response to Chapter 2, debt advice cannot achieve what general advice can in terms of prevention and reach, so should not necessarily be prioritized.

34. In addition, we would want to see the replacement '*enhanced telephone service'* and the *'range of other initiatives'* developed in consultation before coming online in September 2016.

35. There are already a wide array of independent organisations providing guidance and advice. With some of the projects planned in Chapter 4, there are already well developed projects that MAS should look to work with. For instance, with the promise to *'work with student money advisers… helping students to access the financial capability support they need',* The Money Charity has been producing, redesigning and improving the Student Moneymanual[1], reaching hundreds of thousands of students for the past five years. Before undertaking new projects, MAS should scan for work already done by independent organisations, seeking to learn or partner where appropriate.

Chapter 5: working with financial services

36. In order to be a champion of financial capability in the UK, MAS has to work with the financial services industry. People engage with the financial products they use through the firms that provide them, and a financial capability champion should use this opening.

37. Unfortunately, we do not see in this chapter a coherent plan to engage with financial services industry. Despite it being the title of the chapter, other than to work with the FCA on '*smarter consumer communicati*ons' and a on couple of specific projects such as the '*Pension Finder' tool* and *'Digital Savings Passport',* There is no clear plan to engage with the industry. Instead, nearly all the work in this area appears to be with the government and regulator. MAS should know how it will engage with financial services and have a clearly articulated case for why the industry should engage with it.

38. Similarly to our observations in Chapter 1 and the summary, in order to fulfil the role of working with financial services, regulators and government, MAS needs to be strident and have a clear vision for change in the financial services sector.

[1] http://themoneycharity.org.uk/advice-information/student-moneymanual-get-free-copy/

39. We welcome MAS' work with the FCA on *'Smarter Consumer Communications'* and would want to see more cooperation between the two organisations. The FCA has well established working relationships with financial services firms that will be vital in building partnerships and fostering innovation.

Chapter 6: widening and improving financial education

40. The Money Charity supports MAS' aims to improve the financial capability of a new generation. Despite financial education being added to the National Curriculum in 2014, little has changed on the ground[2] and the area is still in need of coordination and thought leadership.

41. MAS makes the argument that while we do not currently know what works in financial education or how to scale interventions that do, in three years' time we will do. From what can be found in the Business Plan, there are two central pieces of work that might allow this aim to become a reality:

    - The effort to '*collect data more systematically'* and build the *'internal evaluation capacity'* of providers
    - The joint evaluation of existing interventions with EEF

    As the plans currently stand, we have real concerns that neither of these will leave us knowing what works and how to scale good interventions in three years' time.

42. The collection of data and improved evaluation of those delivering financial education requires the participation – and significant resources – from providers. Without both funding and practical support, we do not believe that 10 or more delivery organisations will sign up *and sustain* involvement with MAS' evaluation. Unless a broad set of organisations with different interventions are committed to this process over a period of years the data collected (while potentially useful in showing that some interventions are effective) will not show us what works or how to scale effective interventions.

43. From what we already know, the joint evaluation with EEF is going to trial one intervention in schools. There are many organisations with different methods delivering or supporting financial education in schools, and each needs to be comparatively evaluated. The danger of trialing just one or two interventions is that we might find out that the work trialed is better than nothing, but not the approach which would be best scaled or most appropriate for certain types of school.

44. We will be looking for MAS to trial and evaluate other ways to deliver financial education so that *what works*, not just that something works, can be found.

[2] http://themoneycharity.org.uk/media/The-Money-Charity-response-to-the-APPG-on-Financial-Education-for-young-people-January-20161.pdf

45. If MAS wants a financial education sector able to deliver and evaluate a wide range of interventions, it has to help that sector become sustainable by providing and organising logistical and financial support.

46. If these two programmes are well designed and get buy-in from a wide range of providers in the sector, we are very optimistic that we will be a lot closer to knowing what works in three years' time, and we are committed to working with MAS to help this happen. But without support and better strategic planning, this will not happen.

47. We support 'Talk, Learn, Do' and other efforts outside of secondary education but believe that secondary education should remain the central focus of MAS' work.

48. Learning has to be relevant in order to work. Even with technological changes, children and young people will only begin to become genuinely financially active during the years of secondary school. So it makes sense to focus on the teaching of specific skills and knowledge at that stage.

49. Both groups working in the sector and the government also have significant sunk costs in secondary education. Many schools have developed a financial education offering for their students and organisations like The Money Charity, MyBnk and Pfeg have years of experience developing products and services for teachers and students. With relatively scant, and recently diminishing, resources for financial education provision, sharing focus with early years would likely result in a further reduction in funding at secondary level. Given that these interventions are still relatively new and have yet to be evaluated robustly, we believe that the focus on secondary schooling should remain.

Response to the Farnish Review

50. The Money Charity generally welcomes MAS' response to the Independent Review, and sees the aims developed and outlined in the business plan since the review as a significant and welcome return to the founding remit of MAS.

51. However, we have some concerns that the findings of the review are prompting a misallocation of resources:

    - We fear that the integration recommendation A7 is being used to channel resources away from financial capability towards debt advice in a way that will undermine the preventative work that MAS and its partners does.

    - Recommendation A10, recommending the new website model and the minimization of marketing spend should not be interpreted as a call for the creation of a new tranche of expensively designed tools. The extent of redesign of the website and tools is not entirely clear from the Business Plan, but as argued in our response to Chapter 4, changes should be evolutionary, not revolutionary and should keep costs to a minimum.