The Money Charity response to the 2018/19 Money Advice Service draft business plan

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)

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Introduction

1. The Money Charity operates in both the young people and adult's sphere of financial education and capability. Therefore, the draft business plans for 2018/19 are of great interest to the work we do in making sure everybody is on top of their money, regardless of their age. We are pleased to see that the Money Advice Service (MAS) are continuing to lay out their future strategies, objectives and activities through their business plan, rather than winding down operations due to the change to the Single Financial Guidance Body (SFGB) on the horizon. We understand that this is a difficult period of uncertainty for MAS and agree with the decision to nevertheless publish a yearlong business plan, setting out MAS's plans until 2019. Furthermore, we welcome the positive indicators in the plan from the new Chief Executive Charles Counsell as to his approach to feedback and engagement with the sector.

2. There is a lot we welcome in this year's plan, plus a number of amendments and recommendations we would make which will be covered in full through answering the questions laid out in the paper. We summarise our main concerns and recommendations as follows:

What Works Fund

3. We welcome the focus on the What Works Fund and are delighted to be involved in the research to find out the effectiveness of practices in financial education and capability. However, whilst we are glad to see such a focus on the What Works Fund projects, it must be acknowledged that the results of the fund will not be the be all and end all. The results of the 63 projects will not provide comprehensive and complete or conclusive evidence as to whether financial education as a whole is effective or not. The emphasise that MAS is putting on the results of these projects is a concern in and of itself, but particularly in a year when MAS is preparing to publish commissioning plans for the SFGB, which may very well colour not just the commissioning of the new body but also its whole focus and strategy, we believe that MAS should be careful not to place too heavy a reliance on this evidence alone.

Workplace financial capability

4. We are also pleased to see an acknowledgment of the importance of workplace financial capability and welcome its explicit inclusion in the next WWF. We believe the workplace is a crucial area for intervention, with potential for growth in the next two years.

Split and funding gap between financial capability and debt advice

5. The plan is split between financial capability and debt advice. However, the two are undoubtedly linked, and an acknowledgment of how the two work together, as well as plans and activities that incorporate both would be welcome. Whilst some activities

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do incorporate both, such as the commissioning plan for working age people, the vast majority of the business plan talks about the two activities in isolation.

6. Nowhere is this starker than with regards to the budget. The funding gap between the 'Money Guidance' budget and 'Debt Advice' budget has been noted in our previous responses to MAS's draft business plans. Our concern has been and continues to be that there is an ever growing gap between what MAS spends on debt advice, and what it spends on money guidance/ financial capability. This year the gap between the two budgets has increased further.

7. The budget for money guidance has on paper increased by £0.2mn, and by £8.3mn for debt advice. Meaning that the budget is presented as £27.2mn and £56.5mn respectively. However an accident of history means that 90% of the £9.7mn spent on support costs (Money guidance: corporate communications, support services, board and executive leadership and debt advice: central costs and overheads) sits in the money guidance budget, so £8.689mn vs £0.803mn. If we strip the support costs out, the actual budgets are £18,311mn and £55,197mn – almost exactly 3:1 in favour of debt advice.

8. We raise this again for a number of reasons as we do not believe a split of 3:1 is appropriate. In addition, we do not believe that the way in which the budget is presented is fair or clear and that the increases in the support costs cover up a reduction in the financial capability budget. Finally we do not believe this split can possibly be accurate. The £0.803mn in debt advice appears to be a token amount that does not increase year on year. Indeed all of the reasons given for the increase to support costs (Note 1 page 47) would equally apply to debt advice support costs, particularly as they are three times the money guidance costs.

Q1. Do you agree with our judgement about what may be valuable to continue or complete from our Corporate Strategy, as we move toward the single financial guidance body (given what was in the draft bill to establish it on 23 November 2017)?

9. We agree with most of your analysis of your aims against the draft bill. And that this is a useful framework.

10. However, whilst we agree that the activities set out in aim 1 should continue, and that the work is appropriate, we find that much more could be done to make the national strategy more tangible and involve more in the way of actual action. We applaud the decision to refresh the document and to publish a short document and hope that both of these will really focus on delivery.

11. We support aim 3; however we are concerned that there is not wide enough evidence to produce an accurate and comprehensive commissioning plan in Autumn

2018. And that the plan will rely heavily on the results of the What Works Fund and the Financial Capability Lab. We understand that MAS has committed to the commissioning plan but would urge caution with what will be a very influential document for both the sector and the SFGB.

12. Again, for aim 5, we would voice our concern in pushing for a commissioning plan which will inform the SFGB, without sufficient evidence. The Talk, Learn, Do and Maths in Context trials will not be finished, which means again, the plan may rely too heavily on the What Works evaluation results. We believe it is vital that any commissioning plan which will inform the SFGB when it comes into fruition, must be completely accurate and evidence based.

Q2. Given our Corporate Strategy, what are your comments on the activities and priorities for April 2018 – March 2019 we have set out in the individual chapters covering each aim?

13. In the most part, we are happy to see the majority of activities and priorities in MAS's business plan, but we also have a number of amendments and recommendations which are as follows:

14. Aim 1: delivering through others

We are pleased to see the work of the Children and Young People steering group coming through, and are glad to be involved in the development of a common core set of learning objectives for financial education programmes. Furthermore, we would like to hear more about the work and activities of all the steering groups mentioned when it comes to financial education and capability.

However, we are concerned with the heavy focus on the What Works Fund as a measure of whether financial education and capability as a whole is effective. Since the last business plan, there are several new activities in the financial education sphere. Extra spending on new work-streams to look at the workplace, joining financial capability with debt advice and third sector organisations partnering with others to reach the 'financially squeezed' segment are all welcome. Furthermore, the 'Teach, Learn, Do' and 'Maths in Context' are a great way to engage in the sphere. However, there still is an overt dependence on What Works to talk for most of financial capability work from MAS. We would like to see more emphasis on these new programmes, as well as more of a balance between debt advice and financial capability/education in general. We have conducted research to find out the effectiveness of our work previously with great success, and whilst the 63 projects funded through What Works cover a wide variety of financial education and capability programmes, they do not encapsulate the success or failure of financial education and capability as a whole. The project is restricted by the limits of the What Works Fund, such as timing and the scope of evaluations. Also, the evaluations only test the interventions put through to the fund, rather

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than every type of intervention available when it comes to preventative financial education/capability.

15. Aim 2: earlier and wider access to debt advice

Whilst the increase in the debt levy to £56.3mn aims to reduce the supply and demand gap in debt advice, we believe if some of the extra funding went toward financial capability, the gap would be further reduced in the long run, rather than increasing the budget in debt advice alone. However, as the plan states, this is predicted to only close the gap by 90,000 people, meaning a gap of 540,000 people remains. The fact that the gap between supply and demand between free debt advice is so large, not only points to more to be done in the debt advice sector, but also within financial capability. We believe that financial capability has an important role to play in reducing this gap by reducing the number of people in problem debt. It has the potential to do this through helping people with money management before they reach the point of needing debt advice. Ultimately, there is a large number of people who are not currently dealing with their financial problems head on until it has reached the point of needing immediate action with a debt advice service. Investment in financial capability and education alongside debt advice is crucial to tackling the demand challenge. 35% of people do not have any savings in the UK, and credit card debt hit a new high of £70bn at the start of 2018. A good way for MAS to achieve its aims in the form of more savings buffers and widening and improving financial education, could be to invest further money into financial capability and education, helping to close the supply and demand gap.

This brings us to the point that that financial capability and debt advice are talked about in isolation in much of the business plan. It is not solely the job of the debt advice sector to reduce the demand for advice. Financial capability and education is a key part of reducing demand by preventing the need for debt advice in the first place. There are still people in need of debt advice despite being financially capable, but there is a section of people who would benefit from being more financial capable and confident, meaning they avoid problem debt or at least reduce its severity, and therefore would not need debt advice in the first place. Currently, 85% of young adults believe they were not taught enough about money management in school, and many adults of all ages struggle to understand financial products and how to deal with them. 1/5 adults cannot read a bank statement, and 44% state they confused as to how financial services can help them. By investing in financial capability and education for young people and adults alike, we believe the outstripping demand for debt advice could be reduced significantly.

We would like to see more pressure on external actors when it comes to signposting and redirecting consumers to free and effective debt advice services. For example, 3% of councils still do not signpost free debt advice for those who are struggling to pay council tax. This is a fairly simple and quick way to ensure more people are signposted to appropriate debt advice when it comes to council debts. Therefore, we would welcome efforts from the FCA to work with public bodies to help guide them to providing free debt advice signposting for those who need it.

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Other than this, we support the aims, activities and priorities set out in the debt advice plan laid out in Chapter 2.

16. Aim 3: more people budgeting and saving

We welcome the focus in ‘Aim 3: More people budgeting and saving’. A lot of our work in the adult sphere involves talking about budgeting and planning so that adults can get on top of their money and understand their spending habits. Therefore, focusing on the ‘financially squeezed’ and ‘struggling’ sections of society through both financial capability and debt advice is crucial. However there are a couple of recommendations we would make to the aim.

The commissioning plan for working-age people in Chapter 3 needs to be clearer. It states that “early access to debt agencies should help people to manage their money so that they don’t end up in problem debt; when people do need debt advice it should also build their future resilience”. This sounds like a really positive step towards linking financial capability and debt advice, ultimately trying to stop people needing debt advice in the future. However, it is not clear how this advice will be produced and distributed. We would recommend detailing how the two areas of work will link up for the commissioning plan.

One area of concern for us is the segmenting of age groups for the commissioning plan. Segmenting the groups involved by age, household situation or income is something we applaud. However, the groups defined by MAS as ‘young adults’, ‘young couples and families’ and ‘working families’ are much too broad to be useful for the commissioning plan. We are concerned that MAS may find it very difficult to produce a commissioning plan on such large groups of people, which essentially encapsulate almost 13m people in the UK.

17. Aim 4: more people accessing guidance and advice

We support the activities and priorities set out in aim 4.

18. Aim 5: widening and improving financial education

Chapter 5 details the influence of parents over their children’s financial education. We would welcome new research and funding into the financial education of parents, so that we are sure parents are having the right kind of influence over their child’s financial education. Relying on parents as a key influencer of financial education leaves a gap between those parents that are able to talk to their kids about money, and those who do not have the skills and tools to do so. Furthermore, without the parent being financially educated and capable, their influence could be more damaging than beneficial to their children. This increases the risk of the gap between those with parents who are financially capable, and those without continuing throughout generations. We believe the focus should be on intervention in young people’s education first and foremost, to make sure there is an immediate impact on their financial education.

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Finally, we would like to suggest the Young Money Quality Mark may not be the best spending priority for MAS. There are a number of limitations to the Quality Mark, as it shuts out smaller organisations, and is not currently used by any of the large financial capability delivery charities. We do not believe it is appropriate for one charity to judge the quality of materials produced by another within its own sector. Ideally, the quality mark would be something produced and regulated by MAS itself, becoming the MAS quality mark, rather than the Young Money Quality Mark.

Q3. Do you have any evidence, research or insight that can help make our programmes of work more effective?

19. Our recommendations on what would make MAS's work over the next two years more effective are noted in the previous question.

Q4. Do you have any comments on whether our programmes of work fit the differing circumstances and needs of people in the four countries of England, Northern Ireland, Scotland and Wales?

20. We have no specific comments on whether the programmes of work fit the circumstances and needs of people in all four aforementioned countries.

Q5. Do you think our proposed long-term impact indicators address the most important outcomes in money management? Do you see any of them leading to unintended consequences?

21. We are mainly happy with the six indicators outlined, which are well balanced between debt advice and financial education/capability. However, we would recommend that impact measure A. not include access to debt advice into its measurement. Adding in debt advice to this measurement is void as such a measure is already outline in impact measure B. and therefore, all it would serve to do would be to dwarf the rise in the percentage accessing guidance in A.

Q6. Do you agree that our 2018/19 commitments and measures of efficiency are robust and balanced? If not, we welcome alternative suggestions.

22. Our previous comments outline our concerns and recommendations for the MAS business plan. We believe the measures of efficiency are robust and balanced. Our only comment would be that we are worried that the future What Works Fund is not included in this section on commitment and measures of efficiency and effectiveness. If MAS plans to go ahead with future funding for the What Works Fund, it should be included in this list.

Q7. Is the plan clear and easy to understand? If not, please indicate sections that you think should be made clearer.

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23. We would just reiterate the divide between debt advice and financial education/capability in the business plan. What isn't very clear is the relationship between the two areas of work in places such as the commissioning plan for working-age people and in the debt levy increase.
24. Other than that, we believe the business plan is clear and easy to understand, and we are delighted to have been able to give our views and opinions on the MAS business plan for 2018/19.

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