

National Assembly for Wales
Bethan Jenkins AM - Financial Education and Inclusion (Wales) Bill
FEI 11 - Wales Co-Operative Centre



Financial Education and Inclusion (Wales) Bill

Wales Co-operative Centre response

April 2014

About the Wales Co-operative Centre

The Wales Co-operative Centre is pleased to respond to the consultation on the Financial Education and Inclusion (Wales) Bill. The Wales Co-operative Centre works to confront persistent social inequalities experienced by individuals and communities across Wales. We do this through:

- Support for social enterprise and co-operative business development and growth;
- Encouraging people to use digital technologies, and;
- Facilitating access to joined-up financial advice and support services, including those offered by credit unions and the wider social enterprise sector.
- Supporting the development of co-operative housing initiatives in Wales

The Wales Co-operative Centre's Impact Report 2012-13 demonstrates how we are improving communities, creating jobs, tackling exclusion and changing lives. In the last 12 months:

- Our Social Enterprise Support Project has assisted 133 co-operatives and social enterprises across Wales, created 36 jobs and helped create 47 new enterprises.
- The Communities 2.0 project assisted 116 community groups and voluntary organisations and 51 enterprises. 12,984 people were helped to increase their engagement with technology by the project and 122 people were helped to progress in the jobs market.
- The Tackling Homelessness through Financial Inclusion (THFI) project has so far helped 173 private rented sector tenants set up Credit Union Rent Accounts to help sustain their tenancies
- We have assisted 10 pioneer co-operative housing projects

The work of our Financial Inclusion team is particularly pertinent to the consultation. For example, the Tackling Homelessness through Financial Inclusion project aims to prevent homelessness by promoting individuals' ability to manage their money. It aims to support landlords and tenants to maintain tenancies through welfare benefit reform by the use of a Credit Union Rent Account model to support the use of Housing Benefit/Local Housing Allowance to pay rent.

Introduction

The Wales Co-operative Centre welcomes any productive focus and debate on the issues of financial exclusion that leads to systemic change, supporting those in need.

Financial exclusion is a product of two things; an inability to access appropriate financial products and making inadvisable financial choices. It is the matter of appropriate making choices that is often referred to as 'financial capability'.

Although there is no doubt that financial exclusion is an increasing and pressing matter, it is important to focus on the problem as a whole addressing each of its contributory parts, as opposed to tackling single issues as they arise. A co-ordinated approach is necessary. It is also important to acknowledge that measuring some of the basic indicators required is outside the gift of public bodies in Wales so evaluating the impact of interventions can be difficult. For example, data on the uptake and usage of mainstream banking services is not accessible. That said, an intelligent approach can be taken to balance a strategic wish list (that all citizens of Wales can manage their money well) with pragmatism (putting in place services that can have a realistic impact with limited resources).

We note that this consultation refers to a number of specific areas of intervention. Our response focuses on each area, rather each individual question posed in the consultation document.

Financial Education in schools

Money and financial matters are entirely relevant to children at school. At the most basic level the environment that children are brought up in is fundamentally affected by their financial environment and money management behaviour of their parents or carers. This environment is also detrimental to the aspirations and achievement of young people as recognised in the current Welsh Government's Tackling Poverty Action Plan.

It is an obvious corollary that educating our young people in managing money is needed to break the cycle of financial exclusion in our communities. However, when considering the evidence on how children learn and how knowledge manifests itself as behaviour in adulthood, it is clear that a linear approach is unlikely to be effective.

There have been numerous studies, including those by the Money Advice Service, on young people and their knowledge of and attitudes to money. It is said that by Key Stage 2 children have completed this process.

It would be simplistic to say that intervention in the classroom is the answer. As with other public campaigns such as healthy eating, environmental issues and sexual health, a complex picture emerges. Children and young people form their ideas and attitudes about money at a young age and primarily by watching adults' money management behaviour. These ideas are crystallised through their development until they start to manage personal and household money themselves. It is through multiple messages

that children learn and form these behaviours. We would recommend therefore that money management learning at school is complemented by ongoing local campaigns and availability of training for adults in the community.

In respect of the curriculum, we would recommend a pan subject approach to embrace the principle of multiple messaging. For example if children are learning about money in PSE and maths lessons, referring to the use of currency in a geography lesson or the cost of materials in an art lesson will bring the thinking back to considering the use of money. This does not need to be a formal part of the curriculum, but part of the culture of teaching in schools. We are acutely aware of the pressures on class contact time and therefore recommend that work is done with teachers and experts in the field of financial education to insert further learning into the classroom in the most effective and efficient way, building on the previous work of the Welsh Financial Education Unit. Estyn, as the schools inspectorate for Wales, could be involved in overseeing this shift of focus towards money management, providing a leadership role in managing the change.

We support the flexibility of approach on a local basis as schools need to work with the community within which they operate. Universally, however, we would recommend strong links with local credit unions as a starting point. Many credit unions actively work with schools to promote a strong savings ethos. Further this work invests in their plans for sustainability by promoting the credit union brand by entering into a long term relationship with young people in the community. Beyond this, getting the credit union message to parents via their children is a valuable educational tool. We would caution however that many schools struggle to find the time to accommodate this activity. Similarly credit unions find it difficult to resource this activity as it is a long term investment rather than income generating.

Financial education in further and higher education

Clearly the nearer a young person gets to having to manage their money for everyday purposes, the more acute the need to form good money habits. In addition the moment an individual becomes 18 they are potentially at risk of making inadvisable financial decisions that can affect their lives for years to come as they are legally contractually capable.

There is some valuable work being delivered on this by Colleges Wales through the Money for Life programme. Working with young people and training those in the youth work field (train the trainer) the programme helps young people to prepare for financial independence.

Colleges and higher education institutions are in an ideal position to guide young people in forming their money habits, but their independence in doing so is of paramount importance. Alignment with any particular financial institution may lead to an inappropriate influence on students' use of products. The exception to this should be

alignment with a local credit union, where the focus would be on saving and responsible borrowing.

Local authorities and financial education / inclusion

There is a clear link between financial inclusion and the prosperity of individuals, families and communities with a consequent cost saving benefit to service providers. As far back as 2004 the University of Salford attempted to quantify this benefit to the City of Leeds concluding that for every £1 spent on financial inclusion activity, the return on that investment to the city was over £8. Some have challenged the methodology but few question that financially included people need to use fewer public sector services than those that are excluded.

The Wales Co-operative Centre believes that local authorities need to help tackle this issue in a strategic way and indeed has been supporting them to do this through our Financial Inclusion Programme. Working with local authorities and other service providers, such as social landlords, the Financial Inclusion Champions project has supported the integration of financial inclusion into service delivery with a wide range of organisations. Our methodology has not, however, imposed a single approach as we prefer to work with the local dynamics to ensure sustainability. Where it is most appropriate to embed financial inclusion into a Single Integrated Plan, for example, we would not recommend the authoring of a separate strategy. Our aim is not to increase bureaucracy but to use existing mechanisms to promote sustainable change.

As such all local authorities should be encouraged to include financial inclusion as part of their normal strategic planning process. We do feel, however, that local authorities are already intensely aware of issues of financial exclusion. We have worked productively with the Welsh Local Government Association and the Money Advice Service to update local authorities' Welfare Benefit Reform Leads with developments in this field. Financial inclusion and budgeting will be included as part of the Local Support Services Framework once it is introduced.

We understand that a number of local authorities in Wales have banned the online access of payday lending sites through their IT facilities. Whilst we support councils that seek to discourage the use of pay day lending products, this action alone will not necessarily lead to better use of personal money. A strategic approach to making affordable and responsible credit, along with support to make informed choices, is more helpful.

In terms of measuring success or meeting any statutory duties, we would caution that the measurement and evaluation of financial inclusion interventions can be at best difficult and at worst a worthless box ticking exercise. The reason is that there is no absolute definition of financial inclusion that we can measure against – it is a combination of the availability and use of financial products and behaviour. For example, measuring the number of bank accounts is both almost impossible and useless when we don't know

how those accounts are operated and in conjunction with the use of unaffordable credit. Any measurement needs to be carefully thought out and related to the impact on the individuals' lives.

Bearing in mind our comments on the way young people learn about money management, we would voice our concerns for looked-after children. Often from chaotic and challenging family circumstances, young people in this situation are unlikely to have formed a positive and healthy perspective on money by the age of 7 as the research suggests. In 2011, Consumer Focus Wales recommended that local authorities support looked after children in their journey towards a financially capable adulthood.

Also referring back to previous comments on synergising financial education in schools with parents' learning in the community, the local authority is well placed co-ordinate this activity.

The Wales Co-operative Centre operates a website that is designed as a landing pad for those who need basic guidance on money matters. It is found at www.moneymadeclearwales.org and brings together useful tools from a range of sources to help people to structure their thinking about fundamental money considerations. Funded by Welsh Government, so entirely impartial, we have worked closely with a range of stakeholders to produce the site and in particular with the Money Advice Service who have allowed syndication of a number of their online (and bilingual) tools. We would recommend that local authorities and their staff point customers to the site for first line information.

Financial inclusion and digital inclusion

The Wales Co-operative Centre leads the Communities 2.0 initiative, delivering digital inclusion activity across Wales. In conjunction with our financial inclusion activity, we are well placed to comment on the link between financial and digital inclusion.

It is not in doubt that financially excluded people can benefit from significant savings by having access to online tools. They can find deals, have more choice save money providing they also have access to appropriate financial products, for example a transactional bank account.

The UK Government's move from 'digital by default' to 'digital as appropriate' for claiming Universal Credit acknowledges the difficulties that many benefit claimants have in using online facilities. Nonetheless more service delivery is moving to digital channels, with everything from booking GP appointments to leisure centre classes available online.

Free to use digital services are an important access point for those that cannot afford to invest in their own technology and internet access. We would draw attention to the distinction between the availability of the hardware and the ongoing affordability of broadband services. With the increasing use of mobile devices (such as mobile phones)

the issue for some is access to the internet not access to a computer. Over 65% of the financially excluded people we directly support in our tackling homelessness project tell us that they do not have broadband. This project targets financially vulnerable tenants who live in the private rented sector. Aside from their vulnerability in respect of their tenure, they are also overwhelmingly uninformed about welfare benefit reform and about the available tools to manage their money. The lack of access to broadband is a likely contributory factor in this.

Through our work to tackle digital inclusion we are keenly aware of the importance of the library service to enable digitally excluded people to learn about getting online and therefore to access information about money and financial products.

Conclusion

The issues of financial capability and financial exclusion have steadily worsened over recent years. Whilst these are not new concerns, the challenging economic environment, unemployment and welfare benefit reform have exacerbated the problems that people face. Alongside these the upsurge in contractually unfavourable credit products (such as readily available pay day loans) makes matters worse.

As a society we live in a culture where credit is a normal part of adult life. Changing this culture, particularly in pressing economic times, is challenging.

However this long term goal can be delivered with a strategic approach. By teaching our young people about money and its role in their lives, we are equipping them with a life skill which they themselves will pass on. However seeking to deliver this in isolation would be ineffective. In order to reach our young people we must also bring their parents, families and communities along to change habits and behaviours that undermine their financial wellbeing.

The Wales Co-operative Centre is happy to provide any further information on the points raised in our response, and for our response to be in the public domain.