

National Assembly for Wales

Children, Young People and Education Committee

FEI 25

Financial Education and Inclusion (Wales) Bill

Evidence from : Action for Children – Gweithredu dros Blant

Action for Children-Gweithredu dros Blant speaks out for the most vulnerable and neglected children and young people in Wales and the UK. Through our community based services we support children and young people to break through injustice, deprivation and inequality, so they can achieve their full potential. We work directly with more than 300,000 children, young people, parents and carers each year. We also promote social justice by lobbying and campaigning for change.

Action for Children-Gweithredu dros Blant has worked in partnership with Barclays Money Skills for more than six years to deliver financial education to vulnerable young people and families. We help vulnerable young people in Wales, and across the UK, manage their money better by improving their financial capability through basic money management guidance.

Key issues

We know first-hand from our everyday work with vulnerable young people and families in Wales that poor financial literacy and subsequent money struggles, including debt, has a devastating impact on children, young people's and families' lives: including their health, housing, emotional wellbeing and ability to build social capital.

Our service users tell us that they struggle to deal with debt and are unclear about the consequences of loans and credit. They are increasingly finding themselves in unbreakable cycles of bad debt. Some young people are also targeted by loan companies and are financially exploited.

We believe the Financial Education and Inclusion (Wales) Bill can help achieve key positive outcomes for the most vulnerable young people and families by ensuring they are able to access the early support they need to develop money management skills, and so reducing the risk of financial crisis. In particular the Bill can help ensure:

- Vulnerable young people can access financial education at an early stage in order to develop the skills to manage their personal finances and to avoid falling into bad debt as they grow up.
- Children and young people who face additional challenges, such as being looked after, having special educational needs or being a young carer, can access the additional support they need to ensure they are able to develop the financial and other life skills for independence.
- Looked after children and care leavers are able to develop the financial skills they need for independence. We warmly welcome these provisions which have the potential to make a significant difference these young people's outcomes.

Consultation Questions

1. The Explanatory Memorandum prepared by Bethan Jenkins, AM describes the Bill's primary policy objective of the Bill as being to equip people in Wales with the financial competency they need to manage their financial circumstances effectively. In doing so, the proposals will help to increase prosperity in Wales by improving the financial education and

capability of its citizens. Is there a need for a Bill for these purposes? Please explain your answer.

1.1 We warmly welcome the Financial Education and Inclusion (Wales) Bill and believe it has the potential to ensure vulnerable young people receive the early support they need to manage their finances and make informed decisions, in particular about borrowing.

1.2 Financial education in schools

Increased financial education in schools can better prepare children and young people who are engaged in school and able to access the full curriculum, and ensure they have a baseline of financial education by the time they leave compulsory education. The most vulnerable children and young people, including those who are looked after, disabled, have learning difficulties, young carers, and young parents, face significant challenges which can mean they are not able to access education in the same way as their peers. This can be for a wide range of reasons including additional educational needs, caring responsibilities, and frequent moves to different areas and schools. For example, children and young people who have been excluded from schools and are unable to access mainstream education are amongst those who would most benefit from financial education.

1.3 Vulnerable young people are most likely to fall into debt cycles, often due to a lack of sustainable income and life stability. A more targeted response than the curriculum is required for vulnerable young people. There is a clear role for other universal and targeted community services to play in supporting the most vulnerable children, young people and families to access opportunities to build their financial capability in environments they are familiar and comfortable in, such as Flying Start services, Communities First and Families First interventions.

1.4 Financial Inclusion strategy

We agree an increased focus on financial inclusion and financial literacy is required, and welcome the intention to require local authorities to prepare and publish financial inclusion strategies. A clear benefit of a financial inclusion strategy is identification of vulnerable groups who would particularly benefit from targeted support based on a local area assessment of need. We would like to see sections 8 and 9 strengthened in this regard. We know from our work with vulnerable young people and families across Wales that this would include vulnerable families, young parents, young carers and children and young people with additional learning or physical needs.

1.5 We have recently had a series of conversations with young people and our service managers across the UK and asked about whether they had seen increased financial exploitation of our young service users and to describe the impact this has on their lives. It is clear that the young people least equipped to recognise and manage the consequences of using high interest credit, cash and goods are at high risk of using them. 42% of the staff whom we contacted across the UK were aware of service users aged 16-25 who are accessing high interest credit, cash and goods, and the top 3 reasons were to pay off existing debt, to pay for food and to pay utility bills.

1.6 Looked after children and care leavers

Early identification of the most vulnerable young people who are likely to need additional support to manage their money is essential. At section 7 the Bill proposes to place a duty on local authorities to ensure looked after children receive financial education from the age of 7. We support this intention and believe it can help ensure looked after children are able to begin building the financial skills they need for independence. The Centre for Social Justice found that 57% of care leavers said managing their money and avoiding debt was difficult when leaving care¹. Clearly, this Bill

¹ Centre for Social Justice, Survival of the fittest? - Improving life chances for care leavers, January 2014

provides an opportunity to ensure those amongst the most vulnerable children and young people are better prepared earlier for their futures and independent living.

2. Do you think the Bill, as drafted, delivers the stated objectives as set out in the Explanatory Memorandum? Please explain your answer.

2.1 Yes. We believe there are opportunities to strengthen provisions so they have the desired impact, as detailed in our answers to questions 1 and 3.

3. Are the sections of the Bill as drafted appropriate to bring about the purposes described above? If not, what changes need to be made to the Bill?

3.1 Financial Inclusion strategy

As discussed in our answer to question 1, we are supportive of the intention to require local authorities to produce financial inclusion strategies. However it would be helpful to consider how these strategies can align with multi-agency planning mechanisms, such as the Single Integrated Plans or the planned Well-being Plans under the Well-being of Future Generations (Wales) Bill. We are pleased to see this consideration acknowledged in the Explanatory Memorandum. A clear advantage of such an alignment is the ability to draw in other partners to help achieve shared goals and to ensure actions to increase financial inclusion are aligned with actions and goals on other key priorities, such as tackling child poverty.

3.2 We welcome the requirement for Welsh Ministers to provide a report on the progress of financial education in schools, and consider this accountability a valuable means of driving improvement in schools. A similar form of scrutiny must be embedded in the local financial inclusion strategies produced by local authorities to ensure progress on financial inclusion is understood and built upon.

3.3 Early action

We believe a clear duty within section 9 which compels local authorities to identify those vulnerable to financial difficulties and work preventatively to ensure they are able to access early support, information and advice is required to achieve this aim. An effective, strategic response to the most vulnerable young people and families will require partnership with other agencies, including social services and preventative services such as Flying Start and Families First to ensure these groups are able to access the right support as early as possible.

3.4 We know that financial difficulties have a significant effect on vulnerable young people and families' lives, and accessing the right support may require support from outside the local authority and statutory services. Our experience shows that our community services are well placed to reach out to the most vulnerable young people and parents and is able to offer support in a non-stigmatising, supportive environment. There is a clear role for other universal and targeted community services to play in supporting the most vulnerable children, young people and families to access opportunities to build their financial capability in environments they are familiar and comfortable in. A fully co-ordinated response to financial inclusion, which takes account of and responds strategically to the most vulnerable in a community as early as possible is required.

3.5 Looked after children and care leavers

We believe section 11 should be strengthened to require local authorities to provide looked after children with advice and support. Most children and young people receive informal financial education from their parents and carers at home, yet looked after children often do not have the opportunity to develop these skills pre-care and so the role of carers and professionals to help them develop these skills once they are looked after is extremely important.

3.6 The Bill has recognised the particular vulnerability of looked after children and care leavers, and our experience is that vulnerable young people will require additional support beyond advice to

develop skills to manage their money. This can include for example support to budget, manage debts and deal with banks and creditors. One of our service managers described the issues young people in her service face as: “young people are fearful of banks, they find them intimidating. Poor literacy skills for some young people mean they avoid situations where they might have to fill in forms and they don’t understand bank statements etc. Someone calling to your door seems like an easier option especially for those young people on benefits and who have low confidence.”

3.7 Additional support to enable young people in care and care leavers to access financial advice will be vital to ensure they are able to access help available. Such support will need to be considered alongside the regulations and code of practice being developed under the Social Services and Well-being (Wales) Act to ensure a coherent framework of support is offered to looked after children and care leavers which is focused on their needs rather than the requirements of separate legal frameworks.

4. How will the Bill change what organisations do currently and what impact will such changes have, if any?

4.1 The Bill compels local authorities and partners to pay particular attention to the financial education and inclusion needs of the community, and develop a strategic response. The desired impact will be that those in most need of advice and support with financial matters are able to access the early help they need to develop skills to manage their money and make informed financial decisions, particularly with regards to borrowing. The experience of our service users to date reflects that they have not been able to access early help, and have had to reach crisis before accessing support.

4.2 Young people have described their experience of debt as a mistake that they didn’t know they were making and one which is nearly impossible to put right without extensive support. We work with vulnerable young people who do not have the financial skills they need for independence when they reach adulthood, and for whom it is all too easy to become trapped in a negative cycle of debt. One of our service managers described it as “children are seen as making life choices that are their own fault when they are still only children.”

4.3 The Bill provides an opportunity to ensure vulnerable young people are able to access financial support and advice through support services they already have access to, are familiar with and are well placed to provide early support with financial matters. Currently the young people least equipped to recognise and manage the consequences of using high interest credit, cash and goods are at high risk of using them. In a recent survey of Action for Children staff across the UK we found 42% of the staff whom we contacted across the UK were aware of service users aged 16-25 who are accessing high interest credit, cash and goods, and the top 3 reasons were to pay off existing debt, to pay for food and to pay utility bills. There is an alarming discrepancy between the amount initially borrowed by our service users to cover these immediate costs, on average between £100 and £200, and the massive debts then incurred because of penalty charges and inflated interest rates. Clearly, there are significant numbers of vulnerable young people who have not been able to develop the skills they need to manage their money without using high-risk credit who would have benefitted from earlier skills development and support.

Powers to make subordinate legislation

7. What are your views on powers in the Bill for Welsh Ministers to make subordinate legislation (i.e. statutory instruments, including regulations, orders and directions)?

7.1 We welcome the intention to provide further direction via statutory instruments. It is positive to note such instruments will be subject to an affirmative process, which allows for meaningful scrutiny. We also welcome the intention to provide guidance under the Bill. It will be important that any guidance issued provides clear quality standards and outcomes expected under the legislation.

Financial Implications

8. What are your views on the financial implications of the Bill?

8.1 By providing financial education and support to vulnerable young people and families we have a real chance to improve the key areas that affect children and young people's lives, such as poverty and inequality, together with the social and emotional dimensions of their well-being. This is crucial if we are to prevent parent – child cycle of deprivation which we know families in Wales struggle to escape. A comprehensive investment within existing structures would save money over the medium to long term compared to than the ongoing public costs of responding to increased need. The initial financial costs of the Bill should be mapped against existing provision and consider where services can be enhanced through existing community infrastructure to deliver the best value for money.

Contact details for further information

Thank you for this opportunity to contribute to this important consultation. This constitutes a huge opportunity to make significant positive impacts upon vulnerable children, young people and family's lives. We would be pleased to discuss these issues in more detail.

If you would like to discuss this or any aspect of this response further, please contact:

Rhea Stevens
Campaigns and Public Affairs Advisor