



Inquiry into Financial Inclusion and Financial Education in Wales - further information

1. Further evidence to support the statement that the provision of financial education in Wales is sparse, intermittent, and patchy:

Many of the clients who use our specialist money advice, housing support and caseworker services across Wales, have limited knowledge of the financial products and services that could be available to them. Often, clients will find themselves in a situation for the first time and be unsure as to how to proceed.

Although debt problems are often the product of low income, job losses and the inaccessibility of affordable borrowing, rather than solely of bad management by individuals, there is also a need for better financial education.

Although services have improved (Financial Inclusion Fund etc.) the available provision is not sufficient to deal with the need. For example, people have to wait up to 3 weeks/a month in some areas for appointments for advice and support.

The forms and the supplementary evidence required, as well as some of the timescales for provision of evidence can confuse clients who claim housing benefit. (On occasion, there are delays in LAs processing HB claims and the notification letter from a LA regarding a HB award can be difficult to understand.) This can lead to rent arrears (and possible homelessness), and to clients paying off large sums at a minimum amount over a period of years. Backdated HB claims can be made if the client is able to do this themselves, or aware of where to seek help and advice.

Clients who see our housing association funded HB/Income maximisation advisers are assisted to complete forms to claim benefits to which they are entitled, but may have been put off claiming, due to the length of the forms, or lack of awareness of agencies able to assist with such tasks. Clients also need help and advice to appeal against decisions not to award a benefit, if they feel this is justified. If clients have debt issues they will be signposted to agencies that can assist them.

Housing support workers will see clients with multiple debts to catalogues, mobile phone companies, store cards etc. Also clients who may have difficulty understanding the process of how to make a claim for tax credits, or funeral payments, budgeting loans, etc. They deal with many clients with rent arrears facing court possession proceedings or eviction, due to failure to claim HB correctly, or to notify of a change of circumstances. These situations can cause clients extreme anxiety and stress.

Our specialist debt advisers and caseworkers, operating in some county court advice surgeries on possession days, may see clients facing the imminent loss of their home, who have not known where to go to seek advice and support in the period leading up to the hearing date. Had we or another advice agency become involved at an earlier stage, the possession process could possibly have been halted by reaching an agreement with the lender or landlord.

Clients with mortgage difficulties may not know the length of the mortgage, whether it is a capital or interest-only mortgage, or sometimes the amount that was borrowed. This often becomes more confusing for clients who have subsequently re-mortgaged, or secured loans on properties to pay for home improvements or the purchase of a car. We have also seen clients who have sold properties to agencies which operate 'sell and rent back' arrangements, and who have not understood the contract properly, finding themselves potentially homeless when the rent is increased or the length of the tenancy not as long as they thought.

From our services across Wales, we can see that there is a general lack of financial awareness, such as people confused by the multiplicity of utility providers, and how to switch providers. Also there is a lack of awareness of the existence of, or how to access the services of Credit Unions, Moneyline, etc. There is also a need for up-front advice services if people lose their employment.

Feedback from debt service and research that we and others have conducted demonstrates the low level of financial awareness of some people and highlights the need for improved education on budgeting and financial capability i.e. managing income and expenditure.

<http://www.sheltercymru.org.uk/shelter/uploads/pdf/Mortgage%20Report%20English.pdf>

In some areas, generally those where advice is targeted by, for example, a landlord such as a local authority or housing association, or towards a certain client group, financial literacy is improving and there is greater awareness of services being promoted, to enable maximum awareness, access and financial inclusion.

2. To supply a note on the potential role of financial institutions to provide pro-active support and advice on financial education and whether Shelter Cymru considers basic bank accounts are readily accessible for those who need an account for housing benefit purposes:

Financial institutions should play a role in improving financial education and developing financial capability e.g. contributing to financing education material, working with credit unions and community development financial initiatives. We would re-iterate the need for work carried out in schools to be monitored to ensure that the information and advice provided is independent.

Many clients cannot get a bank account, as they have no satisfactory form of identification. Photo identification, such as a passport or driving licence is usually needed. Such identification provision is a barrier for those on a low income.

Those with bad credit, or those who have gone bankrupt, cannot normally open an account, once an unfavourable credit check is completed.

Low awareness remains a barrier to the take up of affordable credit and, as a result, there is still a need to promote products e.g. through a website that would enable consumers to compare affordable credit products in their areas. (See the IPPR report below).

For example, funding for affordable credit initiatives for low-income families through contributing to funding for the community finance sector.

"Community Finance Initiatives (CDFIs) offer a fair and sustainable lending model and can protect low-income consumers from market fluctuations in credit supply.' The community finance sector is growing, but securing long-term funding for the sector is still a challenge. This funding should come from the banking sector: an argument that reflects widespread debate (among our research participants and beyond) on how banks should contribute to society in the aftermath of the economic crisis.'" (See the policy recommendations in the IPPR report Strength Against Shocks: Low-income families and debt (February 2010) <http://www.ippr.org.uk/publicationsandreports/publication.asp?id=726>)

Limited access to mainstream lenders and products is a problem for some low-income households, those with poorer credit histories etc. This means that those who can least afford it, must pay a higher cost for borrowing. There is a need to explore more flexible options for people on low-incomes e.g. products that work with the way people are paid e.g. weekly. People will currently pay over the odds for this kind of flexibility at the moment. (See IPPR report)

3. Further information on whether basic numeracy skills should be improved in schools

We commend the work of the Welsh Financial Education Unit, in particular in relation to building links between leaving home education and financial education. We hope this Unit will continue to promote resources and provide useful support to teachers and other practitioners across Wales after April 2011.

We believe there are still some fundamental curricular barriers to ensuring that young people receive consistent and high quality information. The PSE curriculum does include many aspects of financial education but until each aspect of the PSE curriculum is made compulsory, there is a risk of some elements not being taught.

In terms of basic numeracy skills, we believe these should be taught within the Mathematics framework. However, it is the practical application of these numeracy skills that is key and which may be difficult within the context of a 'traditional' subject such as Mathematics. We would therefore urge a stronger link between teaching numeracy skills and enabling pupils to learn about real life money situations. This could be effectively delivered through the Skills Framework in schools. Anecdotal evidence from teachers in one school suggests that learners perceive their skills based projects and activities to be more fun and interactive and are more likely to engage and learn.