

# Evidence



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## **Response to the National Assembly for Wales' Communities and Culture Committee inquiry into *'Financial inclusion and the impact of financial education'***

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## The Citizens Advice service in Wales

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During 2008/09 Citizens Advice Bureaux in Wales dealt with almost 300,000 problems, an increase of 11% on the previous year. Of these problems over 110,000 (or 37%) were debt related and over 97,000 (33%) were benefits related.

Bureaux in Wales helped clients with debt problems totalling more than £169 million and put at least £25 million of extra income into the pockets of clients during 2008/09.

Over 1500 people work in the Citizens Advice service in Wales and 74% of these are trained volunteers. There are 31 member bureaux in Wales operating from 260 locations, including health and outreach settings, as well as from main bureaux offices.

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## Our work on financial capability and financial inclusion

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Financial Skills for Life is the financial capability programme of Citizens Advice in England and Wales. With Prudential as its key partner, the programme has enabled us to secure substantial support from a range of funders for financial education initiatives by Citizens Advice Bureaux. Often partnering with other local groups, bureaux deliver training and support that particularly help people on low incomes avoid financial crisis.

Financial education is becoming an increasingly substantial part of the work of the Citizens Advice service. In 2008/09, over half of all Citizens Advice Bureaux in England and Wales provided financial capability services in their local communities. 95 per cent of bureaux not currently involved are interested in delivering a service. Bureaux deliver financial capability initiatives direct to those in need of them and also to front-line workers e.g. housing association staff who are in contact with those on low incomes and/or in vulnerable groups. The debt advice services offered by all bureaux in Wales form a critical part of the financial inclusion picture. The Citizens Advice service, including Citizens Advice Cymru, also undertakes policy and influencing work to improve both the provision of debt and money advice, as well as to improve access to appropriate and affordable financial services for those who are currently financially excluded.

Citizens Advice Cymru is the lead Organisation of the Financial Inclusion Fund (FIF) project, which offers face to face debt advice in Wales. The project covers the whole of Wales and is funded by the Department for Business, Innovation and Skills. The consortium consists of 20 Citizens Advice Bureaux and Shelter Cymru. Stakeholders include the WLGA; LSC Wales; Consumer Focus Wales; ABCUL; Sure Start; Age Cymru; RNIB Wales; and Disability Wales.

In 2009/2010;

- 7155 clients were seen through FIF in Wales
- 31% of those clients were seen at outreach (i.e. other than the main bureau office)
- 69% of clients had 3 or more of the 7 Financial Exclusion Indicators which demonstrates that clients being seen are the most Financially Excluded or at risk of becoming financially excluded.

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## 1. What opportunities do people in Wales currently have to gain and develop the skills, knowledge and confidence necessary to make informed decision on budgeting, borrowing and financial products? Are there any examples of good practice in the provision of financial education that could be replicated across Wales?

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In Wales, 19 out of a total of 31 Citizens Advice Bureaux were involved with financial capability work in 2008/09. Currently, Welsh bureaux are involved with:

- Financial Capability Forums (see answer to question 5 for more details);
- the Horizons project (aimed at providing financial education to lone parents and funded by Barclaycard);
- MoneyActive (an innovative financial capability partnership funded by Nationwide to support the recruitment and training of volunteers to deliver financial education across the UK); and
- Moneyplan project (in which independent financial advisers deliver generic financial advice on a pro-bono basis to bureau clients, run in partnership with the Personal Finance Society)

### *Case study: Powys CAB*

Powys CAB has been delivering Financial Capability into local rural communities for about 8 years. During this time we have been involved in many different financial capability projects - evaluations of these projects all confirm that it is essential to take financial capability to learners at a time and place that they are comfortable with and that working with partner agencies is the best way to engage learners.

The bureau has worked closely with Powys County Council's Housing Benefit team since the introduction of Local Housing Allowance (LHA). Many tenants who are awarded LHA either have no bank account to receive this benefit or have overdrawn accounts that would 'swallow up' the housing benefit as soon as it is paid in - leaving the tenant unable to pay his rent and getting into arrears and all the problems this brings. An electronic referral system has been set up between the bureau and the Council so that we are able to make contact straight away with tenants needing help to open a suitable account - it is important for agencies to work together in this way. Without the support of the bureau it is likely that the introduction of LHA paid directly to tenants could have led to higher numbers of rent arrears.

The bureau has recently delivered HMRC 'tax training for older people' to staff and volunteers from organisations such as Age Concern. Learners report that this training is vital to their roles and were very grateful that the bureau was able to provide it for them. The bureau staff feel it is important that they are able to continue to work with partners to ensure that these target groups are reached.

The bureau also has Nationwide funding for the MoneyActive project, to increase the numbers of Financial Capability volunteers. Not only is it important to have more people able to deliver Financial Capability training but this project allows the bureau to make sure that these volunteers are able to attend training courses and get the support they need to develop. One

of the bureau's new MoneyActive volunteers has recently supported an elderly lady who was the victim of Financial Abuse. She was having money taken out of her bank account by family members until finally she had an unmanageable overdraft. As is often the case the client was reluctant to take any action against her family but was relieved when the MoneyActive volunteer was able to help her open a basic bank account, gave her some tips on keeping her PIN number secret and explain to her that she could not run up a large overdraft with a basic bank account. As well as practical help - the volunteer by accompanying the lady to the bank - helped to break down the barriers preventing the lady approaching the bank herself. She said that in future she would not be afraid to ask bank staff for help..

The bureau's debt workers find it invaluable to be able to refer their clients to the Financial Capability Unit where they can receive one-to-one training free of charge. This is often for help with budgeting or understanding financial services or products such as insurances, pensions or loans. Similar services available elsewhere charge a fee.

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## 2. To what extent is the provision of financial education currently appropriate to individuals' needs and circumstances? AND 3. What gaps and challenges currently exist in the provision of financial education and how can these be addressed?

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Citizens Advice Bureaux build on their community links and trust gained as an independent provider of money advice to reach and improve the financial skills of a wide and diverse range of groups. The main focus of our educational work has been on adults on low incomes. Some have never really had a grip on their money, while others have been thrown off track by changed circumstances. We have helped people such as carers or lone parents who are struggling to manage the increased pressure on their family income.

Bureaux typically deliver programmes to parents, young people and social housing tenants. They also work with groups such as people with learning difficulties, migrants, prisoners and ex-offenders, carers, people who have experienced domestic violence and ex-service personnel.

Bureau work covers practical topics from budgeting to opening a bank account and getting started with saving. Bureaux use a range of approaches. These include delivering small group training sessions with service users in a range of other organisations and equipping the frontline workers in those agencies to cascade information and support to their service users.

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## 4. How could the provision of financial education in schools be strengthened by partnerships with third sector organisations and financial education provided in the wider community?

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Bureaux have engaged in training local pupils in financial skills, with a particular emphasis on 14-18 year olds moving towards independent living. Some of this work is ad-hoc and responsive to the invitation of schools, whilst other bureaux proactively reach schools. Work in schools has further importance because of new extended schools and family learning agendas, which aim to mutually reinforce the learning of parents and children. Citizens Advice, in partnership with pfe (The Personal Finance Education Group, which develops the capacity of schools to teach pupils

about money), commissioned a study supported by the Abbey Charitable Trust on the ways in which bureaux can work in schools. The study is called 'Added Interest' and is available at [www.financialskillsforlife.org.uk](http://www.financialskillsforlife.org.uk).

Citizens Advice Cymru is aware of and has spoken with members of staff within the Welsh Financial Education Unit (WFEU) that has been established as one strand of the Welsh Assembly Government's Financial Inclusion strategy to support teachers and schools in the delivery of the revised curriculum.

Working with schools is not currently a key focus of the Citizens Advice service's current financial capability work. However, some bureaux in Wales Carmarthen (Year 12), Flintshire (Year 11 and 12) and Ynys Mon (year 11 and teachers) have been involved in delivering to this audience in recent years.

While recognising that financial education in schools is a priority of the Welsh Assembly Government we believe that equal attention should be given to ensure that adult and community-based learning also offers appropriate financial education opportunities. The Welsh Assembly Government should work with the third sector and the Financial Services Authority to take this forward.

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## 5. What do you consider to be the appropriate roles of the statutory, private and third sectors in providing and promoting financial education within communities? How can organisations within these different sectors most effectively work together? Is there a need for the Welsh Government, or local government, to strategically co-ordinate such efforts?

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The financial sector is a major supporter of our financial capability work. As well as Prudential, we are grateful for the significant funding that we have received in the past two years from Santander Foundation, Barclaycard, Citi Foundation and Nationwide Building Society. A range of national and local public sector agencies, charitable trusts and housing associations also provide important support.

Input from and collaboration between the statutory, private and third sectors is key to the success of financial education work. To this end, Citizens Advice has set up and funded 14 regional financial capability forums in England and Wales, with support from Bank of America. Led by local Citizens Advice Bureaux, or other community partners, they provide a focus where people with an interest in financial capability can share best practice, network and get joint initiatives off the ground.

In Wales there are two forums:

- North Wales (which covers Denbighshire, Conwy, Flintshire, Gwynedd, Ynys Mon and Wrexham); and

- Mid and South Wales (which covers the other Counties in Wales).

The Financial Inclusion Champions in Wales, who support the UK Government and Welsh Assembly Government's objectives by developing and promoting effective partnerships between organisations also attend these forums.

In the last two years, the Financial Capability Forums in Wales have brought together more than 300 representatives from organisations including housing associations, credit unions, schools and colleges, the Financial Services Authority (FSA), the Department for Work and Pensions (DWP), local authorities, the Welsh Assembly, the financial services industry and the third sector.

Forums continue to diversify their membership base so that a wide range of agencies with access to different communities are represented. In 2009 all forums started to map financial capability activities in their regions. The results of this work are being used to reach out to new members and to respond to gaps in service provision.

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## 6. What, if any, role should credit unions and Community Development Finance Institutions (CDFIs) have in increasing financial capability and the provision of financial education? Are they effective at this?

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Citizens Advice Cymru has concerns about clients receiving financial education from organisations who have a dual function of being a lender and care needs to be taken to ensure impartiality, independence and choice for service users. There is an important role for Credit Unions and CDFIs to clearly explain their products and services and the advantages of mutual lending over more traditional banking practices. These explanations must be clear, accurate and as simple to understand as possible and we are aware that Credit Unions have worked hard to ensure that this is the case.

Citizens Advice Bureaux have developed close working relationships with local Credit Unions and it is vital that these relationships are fostered and that there are good referral practices alongside funding streams to enable independent financial education. We promote better understanding between Credit Unions and advice services, as evidenced by the service and Credit Unions working together on CONNECT 2 in Wales and via the Financial Capability Forums.

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## 7. In what ways can financial education help maximise income, minimise outgoings and therefore ultimately minimise debt?

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The evidence gained from Citizens Advice's financial capability work and the evaluations that have been done of our projects give some powerful examples of the ways in which financial education can have a real impact in helping people to maximise their income and minimise their outgoings and to become more confident consumers.

- Energy Best Deal

Citizens Advice has been working in partnership with the energy regulator Ofgem on the public awareness campaign, funded by the Department for Energy and Climate Change. The project aims to make people in England and Wales aware of the savings they can gain by switching energy suppliers or negotiating with their existing supplier and to provide those struggling with their energy bills with information about the financial help available to them from government and energy suppliers. Those on low incomes and using pre-payment meters are a particular target. The Mid, West and South Wales Financial Capability Forum was one of the organisations involved in piloting the project between January and March 2008. The project was rolled out between October 2008 and April 2009 during which time a total of 550 sessions were delivered, reaching 2,290 frontline workers and 3,150 service users across England and Wales.

There are four Citizens Advice Bureaux and three other agencies delivering Energy Best Deal sessions in Wales.

Cardigan CAB, Powys CAB, Rhondda Taff Cab and Gwynedd CAB have between them delivered 124 sessions that have reached 192 frontline staff/end users.

Neath Port Talbot Borough Council, Careers Wales North East and Wales and West Housing Association have between them delivered 14 sessions reaching 112 frontline staff/end users

An independent evaluation of the project completed in June 2009 by the Centre for Sustainable Energy found that almost half of all consumers who took part in the sessions decided to look into getting a better deal on their energy. Of these, nearly 50 per cent switched supplier or tariff.

Case study: "When I got home (after the training) I got on the phone to my supplier. They told me they're going to change my meter and put me on a lower tariff - I just have to send them details of my disability." *Participant, Energy Best Deal project*

- Save Xmas

The 'Save Xmas' campaign was launched by the Office for Fair Trading (OFT) and Citizens Advice in October 2007 in response to the collapse of the Farepak hamper company. In 2008 and 2009 Citizens Advice delivered workshops to groups such as lone parents and those on benefits or low incomes to help them become better informed about savings options.

Independent evaluation of the campaign conducted by Ipsos MORI and published in October 2008 found around 40,000 consumers had attended the workshops. Nine out of ten participants said that they knew significantly more about different ways to save as a result of the workshop training. Two in five also went on to change the way that they went about their short term saving. Half of these people opened a credit union, bank or building society account and around a fifth of them who had not been saving prior to attending the workshops went on to start saving as a result.

In the current phase of our Save Xmas work (December 2009 to the present), 54 sessions have been allocated to delivery partners in Wales which will reach an estimated 250 consumers and 250 frontline workers who will in turn pass on the information to approximately 3,750 people.



- General financial capability work

In 2008/09 about 2,000 people, including hard to reach adults, benefited from face-to-face financial capability training provided by bureaux in Wales. Another 20,000 people are estimated to have benefited from bureaux training the frontline workers in partner organisations who can in turn help their clients

Powys CAB delivers financial capability sessions. A worker there reports that *“The parents attending our sessions are often renting the basics like fridges and washing machines. Once they understand about how credit works this can give them the financial confidence to choose a cheaper option.”*

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## 8. Can financial education reduce the reliance within some communities on doorstep lenders (including both legal and illegal lenders) charging high interest rates?

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Financial education can play a key role in helping make people aware of the range of credit sources available to them and give them the skills to select the most appropriate and affordable one for them. Those on low incomes stand to benefit particularly from this work.

Case study: Bindhu\* was struggling to manage her family budget as a lone parent on benefits and had borrowed money from five different doorstep lenders. She was regularly meeting their demands, but was at risk of losing her home as her rent arrears were building up. After receiving financial capability training from a bureau she had a better understanding of how to manage her budget and deal with her debts.

She said *“I would never use a doorstep lender again. I had no idea that credit unions existed. The best thing for me was realising that I could do something about my situation.”*

(\* name has been changed)

However, in taking steps to tackle debt stemming from unaffordable borrowing from doorstep lenders, Governments need to recognise that for many people, the convenience that doorstep lenders offer (quick access to money needed, lack of complex form filling required and the ability to repay in small, weekly amounts) outweigh the high overall cost of the loan taken. Alternative, less costly options of borrowing that are promoted to people on low incomes should take these factors into account if they are to be successful in changing the borrowing habits of some of those on low incomes.



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## 9. What would you like to see change to make it easier to monitor the effectiveness of financial education and levels of financial capability throughout Wales?

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Citizens Advice is committed to evaluating the impact of our work, whether that is our advice work, our campaigns work or our financial capability work.

We have commissioned eight independent evaluations of the financial education initiatives run by our bureaux and the Financial Capability Forums over the past seven years. We have created tools to measure the impact that our training has on participants. We have established that our programmes improve people's confidence and skills and also result in changes to behaviour and improved financial security. Acting on the findings of this evaluation is now needed. Evaluations regularly show the positive impact that financial capability work has but unfortunately, funding to continue or roll-out these valuable services does not always follow.

In order that the impact of financial capability work makes a wider difference to our clients' lives, it is critical that policy work around financial capability is built into service delivery plans to enable an evidence base to influence the policy and practices of the financial sector.

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## 10. Are there further comments you'd like to make about financial capability or the provision of financial education to people of all ages throughout Wales?

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- The link between financial capability work, money guidance and debt advice

The Citizens Advice service is fully committed to helping to tackle financial illiteracy and overindebtedness. However, all parties concerned with funding and delivering financial capability work and debt advice need to recognise the link between the two. Often in the course of delivering financial capability work to clients, debt issues – which may be complex and require specialist debt advice – will be uncovered. Likewise, when advising clients who have sought advice because of a debt problem, it makes sense to assess their financial capability needs in order to help them manage their current debt and prevent future debts. As such, adequate funding for debt advice should accompany funding for financial capability work. In addition the need for money guidance alongside both of these services is evident.

- The need to invest in delivery

There have been many excellent examples of funding for the development of the tools to deliver financial education including web-sites, DVDs and lesson plans and materials. The funding for the direct delivery of these tools has been patchy and insecure and has led to short-term and insufficient supply on the ground.

- A National Money Service for Wales

Our primary recommendation in response to the consultation on the WAG's financial inclusion strategy 'Taking everyone into account' was the creation of a National Money Service (NMS) for

Wales encompassing the range of money advice services within a holistic, integrated and comprehensive structure covering the whole of Wales.

Addressing the 'siloes' nature of current financial inclusion based funding streams, avoiding duplication of money advice services and would help deliver a better service and outcomes and help WAG achieve its financial inclusion aims. The NMS should be multi channel and based on a partnership model, with a central body to direct the strategy, deliver some services and set standards. Most of the actual services of the NMS should be delivered by partner organisations such as the CAB service, however we believe statutory bodies such as WAG and Local Authorities will be key components.

Our proposed NMS service would include the main recommendations of the Thoresen's National Money Guidance Service but would also incorporate advice services for dealing with debt problems at the coalface – clearly a major strategic aim for WAGs Financial Inclusion strategy. From this gateway, clients will be referred to a comprehensive tier of secondary services for case referral and preventative advice services. The second tier would include specialist debt advice for those individuals in chronic debt problems; generic financial advice services as well as wider financial capability services. Services in relation to energy use will also be included within the NMS structure. We believe such a partnership would be comprehensive in its ability to deal with acute financial problems and increase financial capability throughout the population.

We believe that the NMS should continue to foster close links with the Credit Union movement in Wales, with client referral where appropriate. Care needs to be taken that there is appropriate impartiality, independence and choice particularly where the NMS is delivered by any body that sells financial products to avoid a conflict of interest between providers of financial products and the advice, guidance and education. However, conversely, advice services must be aware of and give information on Credit Union services where appropriate to the clients need.

We believe the NMS could play an integral role in helping the Government of Wales achieve many of its Financial Inclusion objectives, specifically the core aims in relation to debt advice, financial literacy and income maximisation) aims and the One Wales commitments, specifically in relation to child poverty and fuel poverty, its equalities agenda and its vision in relation to social and economic mobility.

#### General Principles of the NMS:

- Universal provision
- Free for service users
- Independent and impartial from the Government and financial industry
- Sales free – the service will not recommend the sale of financial products
- Multi channel – offering services via the internet, telephone, but with face to face advice at the core of the service
- Sustainable – managing money will be an ongoing challenge for individuals, even following an economic upturn. The NMS needs to be mainstreamed rather than delivered on a short term, time constrained project basis
- Comprehensive – offering the whole range of money advice services