

**National Assembly for Wales**  
Communities and Culture Committee

Financial Inclusion and the Impact  
of Financial Education

November 2010



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## Communities and Culture Committee

The main function of scrutiny committees is to examine within their remit the expenditure, administration and policy of the government and associated public bodies.

The Committee's remit covers:

- housing;
- community safety;
- community inclusion including Communities First and the Spatial Plan;
- Welsh language, sport and culture.

## Powers

The Committee was established on 26 June 2007 as one of the Assembly's scrutiny committees. Its powers are set out in the National Assembly for Wales' Standing Orders, particularly SO 12. These are available at [www.assemblywales.org](http://www.assemblywales.org)

## Current Committee Membership



**Sandy Mewies**  
(Chair)  
Delyn  
Labour



**Mohammad Asghar**  
South Wales East  
Welsh Conservative Party



**Eleanor Burnham**  
North Wales  
Welsh Liberal Democrat



**Alun Davies**  
Mid and West Wales  
Labour



**Mark Isherwood**  
North Wales  
Welsh Conservative  
Party



**Bethan Jenkins**  
South Wales West  
Plaid Cymru



**Dai Lloyd**  
South Wales West  
Plaid Cymru



**Lynne Neagle**  
Torfaen  
Labour



**Joyce Watson**  
Mid and West Wales  
Labour

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## Chair's foreword

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*"If you think education is expensive, try ignorance."*

'Money worries' can have a devastating impact on peoples' lives. Families can be torn apart by the pressure of worrying whether there is enough money to get through the month. Guilt and stress associated with dealing with debts make a fertile breeding ground for depression, stress and mental ill health. Businesses suffer if their employees are thinking more about how they will feed their children, than how they can succeed in their job.

So how much opportunity do people in Wales have to gain financial skills, knowledge and confidence, to make informed decisions about managing their money? In the course of this inquiry, we heard many positive examples of financial education being provided in schools, in workplaces and in community settings. But we also heard that, across Wales as a whole, the provision of financial education is inconsistent, and that many people don't take it up because they fear they will be stigmatised for admitting they could manage their money better. While we welcome the work already undertaken on this vital issue, we have also made a range of evidence based recommendations which we believe we help the Welsh Government to better address this matter.

We have also heard concerns that a number of existing programmes to provide financial education may be cancelled or scaled back, in light of the current pressure on public funds. We urge the Welsh Government to use all its influence to avoid such cuts, because we consider that financial education has an even greater importance in the current economic climate: if individuals have less money coming in, they need to be even smarter about how they utilise it.

Finally, on behalf of the Committee, I would like to offer my sincere thanks to all those individuals and organisations that gave us the benefit of their experience and advice, whether in formal committee meetings, informal dialogue at a variety of visits, responses to our call

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<sup>1</sup> *The Yale Book of Quotations* notes that this quote was attributed to Derek Bok, an American lawyer and educator, by Paul Dickson, in *The Official Rules* (1978), but appeared earlier, without attribution to any individual, in the *Washington Post*, Oct. 6, 1975.

for evidence or completed questionnaires. I would also like to thank all the members of the Communities and Culture Committee for their commitment to this inquiry.



## The Committee's Recommendations

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**Recommendation 1.** We recommend that the Welsh Government engage in dialogue with the UK Government, to emphasise that in the current financial climate, the provision of financial education has an even greater importance, and that finance should be utilised to enable the roll out of the Consumer Financial Education Body's (CFEB) Moneymadeclear service.....(Page 18)

**Recommendation 2.** We recommend that the Welsh Government invites the Welsh Language Commissioner (when established by the Welsh Language Measure) to engage with providers of financial education, to encourage them to ensure money advice is provided in Welsh, as well as other languages.....(Page 27)

**Recommendation 3.** We recommend that the Welsh Government make a public commitment that it will seek to ensure that the strategic role of the Wales Financial Education Unit is sustained and developed to help improve the provision of financial education both in schools and within the wider community.....(Page 30)

**Recommendation 4.** We recommend that the Welsh Government provide a 'central hub' of information about financial capability projects, and giving monitoring and evaluation guidance for the design and implementation of new projects and services. We anticipate that this would also include a directory of existing resources which it considered suitable for schools to utilise in providing financial education. We anticipate that this would facilitate the sharing of good practice, and would also enable schools to quickly identify and develop links with potential partners for the delivery of financial education in their local areas.....(Page 31)

**Recommendation 5.** We recommend that the Welsh Government, through forums such as the financial inclusion steering group, and in association with the UK Government, encourage financial organisations to provide funds for independent organisations to provide financial education programmes.....(Page 33)

**Recommendation 6.** We recommend that the Welsh Government engage with both public and private sector employers to encourage them to facilitate the participation of their employees in workplace based financial education seminars, and in receiving financial education resources.....(Page 34)

**Recommendation 7.** We recommend that the Welsh Government engage with local authorities across Wales to highlight the cross-cutting value of addressing financial inclusion and financial education as part of their existing statutory responsibilities. We anticipate that as part of this, the Welsh Government would encourage individual local authorities and housing associations to identify senior individuals to have an overarching responsibility for financial inclusion and financial education work, across the authority/association.....(Page 38)

**Recommendation 8.** We recommend that the Welsh Government ensures that the provision of financial education is a compulsory element of the PSE framework, and reviews the emphasis placed on financial education on a regular basis.....(Page 41)

**Recommendation 9.** We recommend that the Welsh Government invite Estyn to consider whether the standards of financial education delivered in schools, including provision delivered through external agencies, are adequately promoted and monitored.....(Page 46)

**Recommendation 10.** We recommend that the Welsh Government consider undertaking a sustained media campaign to help people to understand the benefits of financial inclusion and education, and how they can access support and financial services (including basic bank accounts and home contents insurance) locally, working with stakeholders at local and national levels.....(Page 48)

**Recommendation 11.** We recommend that the Welsh Government continue to engage with high street banks to take a more positive approach to the opening of basic bank accounts.....(Page 51)

**Recommendation 12.** We recommend that the Welsh Government continue to engage with local authorities and third sector advice services to ensure a proactive approach to enabling benefit take-up. We anticipate this would include ensuring that if people are known to be in rent and/or council tax arrears that they are signposted to information on benefits that they may be entitled to, but are not claiming.....(Page 60)

**Recommendation 13.** We recommend that the Welsh Government continues to engage with stakeholders and the UK Government to raise awareness of illegal money lending and the damaging impact it has on families and communities. As part of this, we anticipate that the Welsh Government will continue to engage with partners to ensure that the valuable role of the Illegal Money Lending Unit is sustained and developed.....(Page 62)

## Introduction

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### What are ‘financial inclusion’ and ‘financial education?’

*“Those individuals who are excluded know what it feels like if a bank has no interest whatsoever in serving that decile or quartile of society who really want emergency credit, quite often.”<sup>2</sup>*

- Community Housing Cymru

1. During the course of our inquiry, we heard a variety of definitions of the terms ‘financial inclusion’ and ‘financial education.’ Shelter Cymru, remarked to us, for example, that:

“some people might see financial inclusion as being a matter of how they can get more money, whereas others might see it as being a question of how they manage money when they have it.”<sup>3</sup>

2. The Welsh Government have defined financial inclusion as:

“everybody having access to an appropriate range of financial products and services, which allows them to effectively manage their money, regardless of their level of income, social status or ability. For financial inclusion to be achieved people need to be supported to have, as a minimum, some basic financial skills, product knowledge and understanding.”<sup>4</sup>

3. For the purpose of this inquiry, we have considered ‘financial education’ to be the opportunities that people in Wales have to gain financial skills, confidence and knowledge: both to make informed decisions about using financial products and services, and to manage their money.

### Why did we want to do an inquiry into financial inclusion and financial education?

4. Access to financial services and the ability to manage money effectively can obviously make a difference to a person’s material wellbeing, but there is also considerable evidence to suggest that it

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<sup>2</sup> Record of Proceedings of the National Assembly for Wales (RoP), Communities and Culture Committee, 10 June 2010, Paragraph (Para) 12

<sup>3</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 70

<sup>4</sup> Welsh Government, Taking everyone into account: Financial Inclusion Strategy for Wales

can have a positive impact to their psychological and emotional wellbeing. Indeed, the Financial Services Authority (FSA) told us that

“Some of the work that we have done on economic wellbeing suggests that, even if you hold income constant, you can nevertheless improve people’s psychological and material wellbeing by improving their financial capability... moving people from low levels of financial capability to average levels of financial capability can reduce anxiety and depression by between 7 per cent and 15 per cent.”<sup>5</sup>

5. The Communities and Culture Committee is responsible for examining the expenditure, administration and policy of the Welsh Government, and associated public bodies, in relation to Housing, Community Safety, Community Inclusion, the Welsh Language, Sport and Culture. We considered an inquiry into the Welsh Government’s Financial Inclusion strategy to be therefore both within the remit of our cross-party Committee, and- in light of the economic climate- particularly timely.

### **Terms of reference**

6. We agreed the following terms of reference for conducting an inquiry into ‘*Financial Inclusion and the impact of Financial Education*’ in March 2010:

- to consider whether people of all ages in communities across Wales are given the opportunities they need to gain and develop the skills, knowledge and confidence necessary to make informed decisions on budgeting, borrowing, insurance saving and other financial products;
- to identify any gaps in the provision of financial education and examples of good practice that could be replicated across Wales;
- to examine the role of the statutory, private and third sectors acting individually and collectively in providing and promoting financial education within communities;
- to inquire whether the financial education that is being provided is appropriate to individual needs and circumstances;

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<sup>5</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 192 and 194.

- to assess whether effective links are made between the provision of financial education and the provision of access to financial services;
- to examine how effective financial education can contribute to income maximisation and debt minimisation;
- to assess the effectiveness and appropriateness of the Welsh Government's policy on financial capability and income maximisation as outlined in its Financial Inclusion Strategy.

### **How did we conduct the inquiry?**

7. We launched a call for evidence on this inquiry in March 2010. By the end of the consultation period, on 7 May 2010, in excess of 30 responses had been received from a variety of statutory, private and third sector organisations with an interest in the topic.

8. We also issued a questionnaire to gather evidence about the general public's experiences of financial inclusion and financial education, which was made available on the Committee's webpage and was distributed in hard copy to the general public at summer events. 57 questionnaires were anonymously completed.

9. We also took oral evidence for this inquiry at formal committee meetings between 22 April and 8 July 2010. In this process we took evidence from a wide range of witnesses, including:

- the Minister for Social Justice and Local Government;
- Financial Capability Forums;
- the UK's Department of Work and Pensions Financial Inclusion Champion for Wales;
- The Financial Services Authority (FSA) and Consumer Financial Education Body (CFEB);
- The Association of British Credit Unions;
- Shelter Cymru;
- Community Housing Cymru (CHC);
- Citizens Advice Cymru;

10. Finally, we undertook a series of fact finding visits to a variety of projects intended to help deliver financial education, including:

- a workplace based seminar by the UK Consumer Financial Education Body (CFEB) on ‘making the most of your money’ (at the Garnlydan Information Shop);
- a school delivering IFS (Institute of Financial Services School of Finance) qualifications (Ysgol y Berwyn);
- a school which had started a Credit Union for First Savers (Ysgol Bryn Gwalia in partnership with Communities First Bryn Gwalia and the All- Flintshire Credit Union);
- a citizens’ advice bureau with experience of delivering financial education both in schools and in the wider community (Swansea Citizens’ Advice Bureau).

11. Notably, the inquiry appeared to have particular resonance for many consultees, as it took place during difficult economic conditions. In particular the Minister for Social Justice and Local Government welcomed the inquiry, stating that:

“This is an important inquiry; it is important to the committee, but it is also important to the Welsh Assembly Government— financial inclusion is one of our strands, and we believe that it is extremely important.”<sup>6</sup>

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<sup>6</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 100.

## Key Themes

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12. Having carried out our inquiry, we are now able to provide a set of conclusions and evidence-based recommendations to the Welsh Government, and relevant others. A summary of our recommendations is detailed on pages 7-9.

13. There was agreement amongst our witnesses that mismanagement of money, and financial exclusion, could potentially have a devastating impact on peoples' lives. For example the co-ordinator of the North Wales Financial Capability forum noted that he had personally:

“seen the terrible consequences that mismanaging money can cause people. It causes arguments, it causes families to fall apart and, of course, there is a very strong link between debt and mental ill health.”<sup>7</sup>

14. Indeed, the importance of giving people the skills, knowledge and confidence they need to manage their money well was summed up by Consumer Focus Wales:

“Improving financial capability not only gives consumers the confidence to make informed financial decisions, it also helps them to feel better prepared for the financial impact of life-changing or unexpected events (e.g. having children, long-term illness-accidents, retirement, bereavement or job loss), and better equipped to cope with financial difficulties.”<sup>8</sup>

15. Whilst it was acknowledged that many people in Wales do lack key money management skills, there was also recognition that many people have adapted not just to their own circumstances, but also the obstacles they face in accessing mainstream financial services, such as bank accounts, insurance or credit. This point was made by Splotlands Credit Union which commented that:

“Often, people with poor financial skills and literacy have in fact developed highly sophisticated coping mechanisms which in large part operate outside of mainstream provision.”<sup>9</sup>

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<sup>7</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 4

<sup>8</sup> CC(3) FI 14

<sup>9</sup> CC(3) FI 17



16. In considering these issues, we have identified 4 key themes as emerging in the course of our inquiry, considered in the chapters below:

- Opportunities for Financial Education
- Financial Inclusion- access to financial services
- Stigma
- Income maximisation and debt minimisation

## **1. Opportunities for financial education**

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17. The evidence of our inquiry suggested that many people continue to “learn about money management skills the hard way, by going through an experience of overindebtedness.”<sup>10</sup>

18. Indeed, a number of respondents to our questionnaire commented that they had received their financial education through “life, learning the hard way... [and] painful experience.”<sup>11</sup>

19. However, our witnesses also identified a number of potential opportunities for gaining a financial education, including:

- provision through community settings;
- provision through educational settings;
- provision through a media campaign.

### **Provision through community settings**

#### ***Positive projects in the community***

20. Many examples of successful projects providing financial education in the community were provided in the written evidence received by the committee, often involving a variety of statutory, private and voluntary agencies. A few of these projects are referenced below:

#### ***Money management advice***

21. Many of our consultees made reference to the work of Citizens Advice Bureaux (CABx) across Wales in the fields of financial education and debt advice. Twenty bureaux were engaged in financial capability work during 2009-10 which included one-to-one sessions, group work as well as sessions for front-line workers who work with vulnerable groups.

22. During a rapporteur visit to Swansea Citizens Advice Bureau, one of our Members, Bethan Jenkins AM, also heard that the CFEB’s money management services had been “bolted onto” the Citizens’ Advice

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<sup>10</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 7

<sup>11</sup> Responses to Committee’s questionnaire.

Bureau's telephone advice service, 'Adviceline Cymru.' This was intended to enable "the client more choice of debt help."<sup>12</sup>

23. The CFEB also provided substantial evidence of the opportunities that are available across Wales for people to improve their financial capability. In particular it made reference to its *Moneymadeclear* service which is available by telephone, online and on a face to face basis in Blaenau Gwent and Merthyr Tydfil.

24. The CFEB indicated that they believed this face-to-face service would be made available across Wales by Spring 2011. Many consultees made reference to *Moneymadeclear*, with its face-to-face element felt to be a particularly significant development. Consumer Focus Wales commented that:

"Face to face services not only help us to build up a degree of trust between the client and advice provider, they also enable the adviser to gain a better understanding of a person's personal circumstances."<sup>13</sup>

25. The Minister for Social Justice and Local Government also expressed support for the delivery of such advice, commenting that he saw the:

"CFEB as an integrated part of the Assembly Government's proposals regarding a strategy for taking this programme forward together. I have been very impressed by the work that CFEB does. There are many examples of how we work together. We recognise CFEB's money guidance service. It delivers the programme, and we have used it at our offices in Merthyr Tydfil. This has been a joint operation: we have given our services and the CFEB has given its services. I mentioned earlier how we integrate those services in our most vulnerable communities. We have engaged with our Communities First partnerships in Merthyr Tydfil and Blaenau Gwent as a first example of that process, in our Merthyr Tydfil office; specifically, I am talking about how they can roll out

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<sup>12</sup> CC(3) AWE 09 Note of Members visit to Swansea Citizen's Advice Bureau

<sup>13</sup> CC(3) FI 14

‘Moneymadeclear’. We are trying to look at this holistically and to share best practices.”<sup>14</sup>

26. However, the CFEB also acknowledged that the current financial climate could potentially delay the roll out of its *Moneymadeclear* service:

“with the change in circumstances in Government in the UK, there will be a pause in the process of gaining certainty about whether we will be able to roll out face-to-face provision as quickly as we would have liked. I am still confident that we will be able to do it, but I ought to not mislead the committee into thinking that we will be able to drive ahead at the speed at which we had hoped.”<sup>15</sup>

27. We are concerned that in the current economic climate, with ever increasing pressure on public funds, that services yet to be delivered may be the first to be cut. However, we consider that the provision of financial education has an even greater imperative in the current economic climate, given that many people will not have any increase in their income over the next few years. We believe that it is therefore critical that the ‘Moneymadeclear’ service is rolled out to all parts of Wales, without delay or cut back.

**We recommend that the Welsh Government engage in dialogue with the UK Government, to emphasise that in the current financial climate, the provision of financial education has an even greater importance, and that finance should be utilised to enable the roll out of the CFEB’s Moneymadeclear service.**

28. Whilst not directly providing financial education, another face-to-face service mentioned by a number of witnesses was the Department for Business, Innovation and Skills’ Financial Inclusion Fund (FIF) which provides face-to-face debt advice through a number of CABx in Wales. In the last financial year 7,155 clients were seen through FIF in Wales by CABx.

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<sup>14</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 113

<sup>15</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 178

### *Workplace based learning*

29. In Blaenau Gwent and Merthyr Tydfil, the CFEB's *Moneymadeclear* service was linked to its existing UK-wide work of providing workplace based seminars on 'Making the Most of Your Money.' These seminars are individually tailored to the needs of each group of employees.

30. The programme involves one hour-long seminars, delivered by specially trained presenters and covers basic financial planning and budgeting, borrowing (long and short-term), insurance, saving and investing and planning for retirement.<sup>16</sup> Amongst many workplaces that have benefited from these sessions are both the Welsh Government and the National Assembly for Wales.

31. Such seminars were also mentioned by the Association of British Credit Unions, which described how some of its credit unions, that were "embedded within those employers, played a big part in that programme with regard to doing lunchtime sessions of around half an hour to an hour."<sup>17</sup>

32. Committee Members Alun Davies AM and Mohammed Asghar AM observed the delivery of one such seminar, at Garnlydan Information shop. One participant commented after the seminar that:

"I thought it was very good... interactive and personal. We get literature through sometimes, but you know how it is... you don't make that connection with yourself, and you sometimes just put it to one side, as you don't necessarily have the time to read it. I've signed up for me and my wife to meet with the money-guide as there are a few things we can probably improve on, and hopefully save some money."<sup>18</sup>

33. The CFEB also described how they sought to aim their advice services at particular critical points in peoples' lives, commenting that:

"we have programmes in colleges and universities for those young people not in education, employment or training, and for young parents. Virtually every new parent in the UK—1.3 million of them—now receives the parent's guide to money.

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<sup>16</sup> CC(3) FI 22

<sup>17</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 41

<sup>18</sup> CC(3) AWE 03, Note of Members Rapporteur visit to Garnlydan Information Shop

When people are facing redundancy or are about to retire, those are key stages in people's lives."<sup>19</sup>

34. We consider such seminars to be a highly valuable tool in delivering financial education, although we are concerned that for such talks to be effective, they require employers to facilitate and welcome them. We have considered this issue further in the following sub-chapter: gaps in provision.

#### *Private sector involvement*

35. Written evidence was received from Barclays, whose Money Skills programme was specifically mentioned by many witnesses as a positive example of private sector involvement. Barclays noted to us that Money Skills is:

“...a programme helping disadvantaged and ‘hard to reach’ people make independent and informed financial decisions about budgeting, spending, saving, investing and using credit responsibly. This will help them to improve their understanding of the implications of choices they make, become confident and knowledgeable consumers and aware of their responsibilities and rights.”<sup>20</sup>

36. In its evidence, Rathbone Cymru also noted it delivered Barclays Money Skills courses which should benefit around 3,000 young people in Wales.<sup>21</sup>

37. Similarly, Careers Wales North East noted the work that it carries out with Debtcred<sup>22</sup> volunteers, staff from Marks and Spencer Money, and the Bank of America to deliver financial literacy lessons in schools. They cited this as a positive example of the public, private and voluntary sectors working together to deliver financial education.

38. We welcome the involvement of the private (and other sectors) in the provision of financial education. However, we also believe it is important that the impact of such engagement is maximised through strategic planning and co-ordination, an issue considered in further detail in the following sub-chapter.

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<sup>19</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 155

<sup>20</sup> CC(3) FI 11

<sup>21</sup> CC(3) FI 01

<sup>22</sup> Debtcred is a national charity funded by the High Sheriff's Office.

### *Housing association involvement*

39. The role played by housing associations in facilitating financial education and combating financial exclusion was recognised by many from inside and outside the housing sector. It was noted that 16 associations had their own financial inclusion strategies<sup>23</sup> and many participated in wider networks of stakeholders that had a common interest in promoting financial inclusion such as the two Financial Capability Fora.

40. Clwyd Alyn Housing Association's written evidence stated that it participated in the North Wales Financial Inclusion Partnership and had provided training for staff in customer facing roles.<sup>24</sup> Similar staff training has taken place across the sector.

41. Community Housing Cymru (CHC) is the representative body for housing associations in Wales. It currently employs a Financial Inclusion Officer with the support of Welsh Government funding. CHC noted in its written evidence that one of the roles of this officer is to increase financial literacy amongst tenants.

42. One of the most significant developments within the housing sector has been the establishment by housing associations in Wales of Moneyline Cymru, a Community Development Finance Institution (CDFI). This was developed specifically to provide affordable loans and to respond to the use of doorstep lenders by housing association tenants.

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<sup>23</sup> CC(3) FI 30

<sup>24</sup> CC(3) FI 25

### *Gaps in provision*

43. As noted in the previous sub-chapter, our witnesses provided us with many positive examples of financial education being delivered in community settings.

44. However, the evidence received in this inquiry also suggested that there are significant variations in the provision and availability of financial education across Wales. Indeed, coverage was variously described by various witnesses and consultees as “fragmented,”<sup>25</sup> “limited,”<sup>26</sup> and “sparse, intermittent and patchy.”<sup>27</sup>

45. Such fragmentation was described to exist both in terms of geographical coverage across Wales, in relation to particular social groups (such as disabled people, and those who do not speak English) and in relation to those people who were not ‘targeted’ because they were not seen to be part of an obviously vulnerable social group. Concerns were also raised that such fragmentation was indebted to a lack of overarching strategic co-ordination of financial education.

### *Gaps in geographic provision*

46. A consistent theme running through the evidence was that the availability and opportunities for financial education would vary between geographic areas. This view was expressed by Katija Dew, of the Department for Work and Pension’s Financial Inclusion Champions Team, who stated that “local opportunities very much depend on the agencies on the ground, their commitment, reach and capability.”<sup>28</sup> She explained, in oral evidence, that:

“you have to rely on having what I call, ‘certain ingredients’ in that locality to work with. For example, you need an advice agency that is very keen to work on this agenda and that has the capability and resource to do so. You also need a credit union to work around the table and to be a part of that. There are also Communities First interventions to consider and so on.

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<sup>25</sup> CC(3) FI 05

<sup>26</sup> CC(3) FI 06

<sup>27</sup> CC(3) FI 12

<sup>28</sup> CC(3) FI 08



So, local intervention is patchy, and that is down to resources, volition and understanding and so on.”<sup>29</sup>

47. Moreover, Citizens’ Advice Cymru commented that:

“of our 31 member bureaux, 19 have been involved in financial capability work. I must say that the others are not involved not because they do not want to be, but because they do not have the funding to do it. For example, we are engaged with Barclays Bank plc, which funds the Horizons project, which provides financial education specifically to lone parents. That is one of the projects happening in Cardiff. That sounds wonderful, but it is happening in only two places in Wales. So, you have to remember that, although all of these things are happening, they are happening in restricted areas... there is work being done in Cardiff and other places around lone parents, funded by Barclays, but there are other parts of Wales where we are not able to deliver to lone parents because we do not have the capacity. So, although some of them are getting assistance, which is proving to be incredibly valuable for them, in other places that is not the case.”<sup>30</sup>

48. Similarly, the evidence of this inquiry highlighted that significant work is being undertaken on financial education through Communities First areas, with End Child Poverty Network Cymru (ECPNC) noting that many Communities First partnerships offer a sign posting service for financial capability services. However, ECPNC were concerned that those who live outside of these areas, particularly rural areas, do not have access to such assistance.

#### *Gaps in provision- untargeted individuals*

49. The evidence of this inquiry also suggested that, to some extent, the availability of financial education would also depend on whether an individual fitted into a social or demographic group that had been identified as needing targeted financial education.

50. Many examples of groups that had been targeted were given throughout the written evidence, including single parents, older people, those not in employment and young people not in education,

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<sup>29</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 31

<sup>30</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 96 and Para 100

employment or training. However, a wide range of witnesses raised concerns that this meant individuals **not** in a social or demographic group being targeted for financial education could miss out on such support. Shelter Cymru commented that:

“Community voluntary organisations are running some of the financial education projects. These are only likely to be accessed by those already receiving a service from these organisations, so the opportunity is not really there for the general public.”<sup>31</sup>

51. In further written evidence to the committee to support this claim, Shelter Cymru cited some examples of work it carries out around Wales that suggests many people do not have the financial skills or awareness that would help prevent difficult financial situations becoming a crisis. Shelter Cymru asserted that this was a particular problem in the current economic climate, because they were:

“seeing a change in client profile, given the current financial problems and issues. People who have been employed for 30 years who have never had a problem or an issue are now coming to us. They might not, perhaps, be aware of where to seek help, nor are they in groups that are targeted for support or campaigns, so they may not seek assistance until they get to the court stage or they get to some crisis, because they are living in their homes and are not classed as a vulnerable group. However, when you are hit by a crisis like this, you become vulnerable. You might not have been vulnerable before, but you are seen as being so now.”<sup>32</sup>

52. Similarly, Citizens’ Advice Cymru commented that:

“some people do not fit into any particular group that has been chosen and therefore do not get their financial education. Work is being done at the moment, as part of our financial inclusion fund face-to-face debt advice, around ensuring that, when people come to us for debt advice, part of what you give them as an individual is also some financial education. Some of the work that we do, which relates to financial capability but is not group work, potentially gives you a chance to pick up those

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<sup>31</sup> CC(3) F112

<sup>32</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 131

people who do not fit into anyone else's group or the groups that we are already delivering to, if we could only get funding to do it."<sup>33</sup>

53. Indeed, respondents to our questionnaire suggested that financial management problems were suffered by a majority of people, rather than an isolated few. Several respondents expressed concerns that it was actually easier for "people who are not poor to waste money."<sup>34</sup>

54. However, while Katija Dew acknowledged that focussing financial education on specific groups may mean some people are "lost between the gaps," she argued that targeting "has great strength for those who are supported as they are engaged in a way that is appropriate to their needs and motivations."<sup>35</sup>

55. Indeed, the CFEB's approach of targeting financial education at key life stages was welcomed by many. The CFEB believe that this allows it to "intervene at key life stages when financial information and education is most valuable, with information that is tailored to an individual's situation."<sup>36</sup>

56. A similar approach was advocated by Denbighshire County Council, which noted that each of its Welfare Rights and debt advice assessments was tailored to the individual needs of the individual.<sup>37</sup>

57. Acknowledging that an exclusively "targeted" approach risks losing people through the gaps, the CFEB told the Committee that its targeted efforts are complemented with more mainstream work. It noted that engagement of local organisations with its work can ensure wider access to its resources:

"Those organisations that are known and trusted in their communities then sign-post people into our resources or indeed provide them directly, such as midwives providing the Parent's Guide to Money."<sup>38</sup>

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<sup>33</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 103

<sup>34</sup> Response to the Committee's questionnaire. 57.1% of respondents to our questionnaire stated that they had experienced money problems themselves.

<sup>35</sup> CC(3) FI 08

<sup>36</sup> CC(3) FI 22

<sup>37</sup> CC(3) FI 24

<sup>38</sup> CC(3) AWE 07 CFEB following evidence session on 20 May

58. Indeed, the Minister for Social Justice and Local Government suggested that a balance needed to be struck:

“between access for all and targeting some of those vulnerable groups with the limited amount of resources that we have... We also link in with the times of life when financial circumstances change, such as retirement or redundancy, and so on. We can, therefore, pinpoint people who are affected by different financial challenges... we try to strike a balance between what information is given to people and to whom it is given, and how effective that process is... there are markers in life that change financial needs. Having a baby, leaving education, experiencing divorce, and facing retirement are all points in someone’s life where their financial challenges change. The work of CAB, CFEB and other organisations gives an opportunity to support people who need that support, but we also need to broaden our horizons with regard to general financial literacy in schools, education for people with learning difficulties and so on. That is the fine balance in which we find ourselves.”<sup>39</sup>

*Gaps in provision- particular social groups*

59. Witnesses also suggested a number of particular social groups that they considered could benefit from greater targeting of financial education. Indeed, the Young Women’s Christian Association (YWCA) referred to the action in the Welsh Government’s Single Equality Scheme, Department for Social Justice and Local Government Action Plan, to carry out a review of the specific financial inclusion needs faced by particular groups.<sup>40</sup>

60. A range of witnesses, including End Child Poverty Network Cymru (ECPNC), expressed concern about the lack of provision of money advice in the Welsh language or indeed other languages.<sup>41</sup> Notably, CFEB acknowledged shortcomings in its own services for **Welsh speakers**:

“We recognise that one of the gaps in the CFEB delivery of financial capability is that not all of our resources are currently

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<sup>39</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 117-123

<sup>40</sup> CC(3) FI 21

<sup>41</sup> CC(3) FI 09

available in Welsh. CFEB is currently working on ensuring our resources are available in Welsh and we will work closely with the Welsh Language Board to ensure this is done as appropriately and as quickly as possible over the next year, including developing a Welsh Language Scheme for CFEB.”

61. In its written evidence, the Welsh Government noted that the Welsh Financial Education Unit (WFEU) had already been working with the financial services sector to ensure that more of its material was made available in both English and Welsh. We welcome this work, and are conscious that the proposed Welsh Language Measure<sup>42</sup> may also provide a strong and independent voice for the Welsh language through the establishment of the Welsh Language Commissioner as an identifiable champion and advocate for the language. We believe that-when established- the Welsh Language Commissioner may usefully be able to assist the WFEU in working with the financial services sector to ensure that more of its material was made available in both English and Welsh.

**We recommend that the Welsh Government invites the Welsh Language Commissioner (when established by the Welsh Language Measure) to engage with providers of financial education, to encourage them to ensure money advice is provided in Welsh, as well as other languages.**

62. Age Cymru (formerly Help the Aged and Age Concern) highlighted the particular problems facing **older people** including explicit age barriers to certain financial products, such as travel and motor insurance.

63. Scope highlighted the difficulties that **disabled people** can face, particularly in relation to the benefits system. It noted that in Torfaen a specific project has been established providing financial education to people of all ages.<sup>43</sup> Scope welcomed the fact that disability was recognised as a relevant factor in financial inclusion within the

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<sup>42</sup> The proposed Welsh Language Measure was introduced by the Minister for Heritage on 4 March 2010. At the time of this report’s publication, the Measure was being considered by the National Assembly for Wales.

<sup>43</sup> CC(3) FI 27

Financial Inclusion Strategy, but suggested that the number of disabled people receiving financial education is low.<sup>44</sup>

64. The issue of ensuring that **those who lack basic skills** also had access to financial education was raised by the coordinator of the North Wales Financial Capability forum, Les Cooper, as well as Consumer Focus Wales. Les Cooper noted that, in his opinion, the resources and methods that are currently used to increase financial capability “do not address the basic skills challenges we have in Wales.”<sup>45</sup> However, in response to this concern, the Minister for Children, Education and Lifelong Learning stated that:

“Through work led by the Welsh Assembly Government’s Basic Skills Unit, learning providers have been given access to teaching resources designed to improve the financial literacy of learners with poor basic skills.”<sup>46</sup>

65. Consumer Focus Wales suggested that the face-to-face element of the *MoneyMadeClear* service should be targeted, initially at least, at low-income families, **young people** and other vulnerable groups when it expands to cover all of Wales.

66. Particular difficulties that may be experienced by **those in the care system** were highlighted by Consumer Focus Wales:

“children and young people’s experiences of money matters at home and school will vary considerably. Children within the care system are likely to be particularly disadvantaged in this area. The instability caused by moving in and out of care placements, often leading to them changing schools on a regular basis, can mean they often miss out on the opportunities other children have to learn about money matters.”<sup>47</sup>

67. Consumer Focus Wales went on to note that it is carrying out specific research on financial exclusion amongst **young care leavers**, due to be completed early in 2011.

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<sup>44</sup> CC(3) FI 27

<sup>45</sup> CC(3) FI 03

<sup>46</sup> CC(3) AWE 08 Minister for Children, Education and Lifelong Learning following issues raised at evidence session 8 July

<sup>47</sup> CC(3) FI 14

68. The YWCA stressed the importance of services to help women as they felt that the economic situation would disproportionately affect **women**:

“women are more likely to be poor, earn less, work in low paid employment and have the highest risk of financial problems... We think that current financial education provision does not always take into account the specific financial inclusion barriers faced by girls and women.”<sup>48</sup>

69. Indeed, Bethan Jenkins AM asserted concerns around the provision of financial education to **women street workers**, commenting that “according to research undertaken at the university [of Swansea], women who work on the streets of Wales are not getting that support.”<sup>49</sup>

*Gaps in provision due to a lack of strategic co-ordination*

70. A number of witnesses suggested there were gaps in the provision of financial education in the community because of a lack of strategic co-ordination. For example, the Institute of Chartered Accountants in England and Wales suggested that current services were not sufficiently “joined up.”<sup>50</sup> Scope echoed these concerns and noted that “there is a need for strategic co-ordination of the various sectors that provide financial education.”<sup>51</sup>

71. Witnesses suggested that at a **national level** the CFEB and Welsh Government had a clear role in coordinating the provision of financial education in Wales. For example Consumer Focus Wales commented that:

“there is a role for the Welsh Assembly Government to co-ordinate the financial capability work being delivered at the local level to ensure appropriate links are made between local and national programmes.”<sup>52</sup>

72. The establishment of the WFEU was perceived by a number of witnesses as a valuable step in enabling the Welsh Government to

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<sup>48</sup> CC(3) FI 21

<sup>49</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 124

<sup>50</sup> CC(3) FI 05

<sup>51</sup> CC(3) FI 27

<sup>52</sup> CC(3) FI 14

perform this role, although Consumer Focus Wales expressed concerns that:

“the future role and funding of the Unit is uncertain after April 2011. We would urge that the Committee recommend that the strategic role of this Unit is sustained and built on over the coming years to help improve the delivery of financial education both in schools and within the wider community.”<sup>53</sup>

73. We welcome the valuable work of the WFEU, which was praised by a range of our witnesses. In the current economic climate, we believe that it is imperative that the unit’s work is sustained and developed to encompass improving the delivery of financial education both in schools and more broadly in the community.

**We recommend that the Welsh Government make a public commitment that it will seek to ensure that the strategic role of the Wales Financial Education Unit is sustained and developed to help improve the provision of financial education both in schools and within the wider community.**

74. Katija Dew also suggested that the Welsh Government could complement the work of the WFEU by providing a ‘central hub’ of information on financial capability projects, to supplement the work of financial capability forums in sharing good practice, commenting that there is currently:

“no central system for sharing good practice. The financial inclusion champions team that I described is a small team, and we share good practice between ourselves. We seek to replicate good practice that we see in the south up in the north, and vice versa. However, there is no official system.”<sup>54</sup>

75. Indeed, she commented that a lack of systems for monitoring the provision of financial education made it:

“difficult to evaluate which methods are most effective. By definition monitoring and evaluation of this kind of activity is

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<sup>53</sup> CC(3) FI 14

<sup>54</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 17



very difficult and needs to be undertaken on a longitudinal basis to be most effective.”<sup>55</sup>

76. We agree that a central information point on the different financial education and capability projects already taking place in Wales would provide a useful tool in facilitating the sharing of good practice. As noted in the following sub-chapter (provision through education settings) we also believe that such a resource could usefully help schools in identifying potential partners to assist them in delivering financial education, and could help schools to determine appropriate existing resources for the provision of financial education.

**We recommend that the Welsh Government provide a ‘central hub’ of information about financial capability projects, and giving monitoring and evaluation guidance for the design and implementation of new projects and services. We anticipate that this would also include a directory of existing resources which it considered suitable for schools to utilise in providing financial education. We anticipate that this would facilitate the sharing of good practice, and would also enable schools to quickly identify and develop links with potential partners for the delivery of financial education in their local areas.**

77. The Welsh Government’s Financial Inclusion Strategy was published in July 2009, and was generally welcomed by witnesses in their evidence, with the caveat that it was still very early to evaluate its effectiveness. However, the Welsh Government was seen to be taking action to co-ordinate its own policies to enable the provision of financial education and to promote financial inclusion, with the Minister for Social Justice commenting that the Welsh Government had:

“worked with CFEB on the development of our Domestic Abuse Strategy ‘The Right to be Safe’ which highlights the importance of improving the financial capability of those experiencing domestic abuse. As a result face-to-face Money Guidance is already being delivered to the Merthyr Tydfil and Blaenau Gwent Domestic Abuse one stop shops.”<sup>56</sup>

78. Researchers from Swansea University also praised the strategy for focusing on tackling inequality and said that:

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<sup>55</sup> CC(3) FI 08

<sup>56</sup> CC(3) FI 30

“The policy is clearly correct to focus on locally shaped initiatives drawing on the communally sensitive, context rich experiences and expertise of those involved in, for example, Credit Unions.”<sup>57</sup>

79. On a more critical note, YWCA felt that the strategy should have more focus on women and girls, commenting that they had “wanted to see more emphasis on girls and women in the Financial Inclusion Strategy and in financial education activity.”<sup>58</sup> Concerns were also raised over how the delivery of the strategy would be monitored, with the Institute of Chartered Accountants in England and Wales commenting that this part of the strategy was: “somewhat weak - with baselines discussed but not established.”<sup>59</sup>

80. Witnesses also suggested that the Welsh Government could take on a greater role in co-ordinating the private sector’s engagement in financial education, bearing in mind that pressure on public funds was only likely to increase in future years. Katija Dew, for example, recommended that the Welsh Government should:

“Engage more with existing provision by the private sector. For example, some banks/building societies provide resources to support this agenda e.g. Nationwide’s ‘Education Resource’ and Barclays’ ‘MoneySkills. In tandem, pull together publicly funded initiatives such as those on digital inclusion, one-stop-shops, domestic violence, Communities First, housing, spatial plans with financial inclusion to provide substantial synergies.”<sup>60</sup>

81. Citizens’ Advice Cymru also noted the important role of the private sector and other stakeholders in funding and facilitating its financial capability work, commenting that:

“The financial sector is a major supporter of our financial capability work... a Range of national and local public sector agencies, charitable trusts and housing associations also provide important support.”<sup>61</sup>

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<sup>57</sup> CC(3) FI 07

<sup>58</sup> CC(3) FI 21

<sup>59</sup> CC(3) FI 05

<sup>60</sup> CC(3) FI 08

<sup>61</sup> CC(3) FI 16

82. However, CAB Cymru went on to note some concerns about organisations such as credit unions and Community Development Finance Institutions like Moneyline Cymru providing debt advice to customers who were also borrowing money from them. They highlighted this ‘dual function’ as a concern and a potential conflict of interests.

83. Swansea’s Financial Inclusion steering group suggested the involvement of banks in should be mandatory, with a statutory requirement to fund financial advice programmes - co-ordinated centrally by the Welsh Government.<sup>62</sup>

84. In its written evidence the Welsh Government noted that the British Bankers Association is a member of its financial inclusion steering group. We consider that such forums provide a useful opportunity for encouraging financial institutions to engage in the provision of financial education programmes, bearing in mind the inevitable pressures on public funds in the current economic climate.

**We recommend that the Welsh Government, through forums such as the financial inclusion steering group, and in association with the UK Government, encourage financial organisations to provide funds for independent organisations to provide financial education programmes.**

85. Witnesses also suggested that private companies could be better engaged in the financial education agenda, particularly in terms of supporting their own workforces. For example, Katija Dew commented that:

“there is room in the wider private sector for individual organisations and businesses to engage more with the financial exclusion agenda. After all, they have workforces that may or may not be financially excluded.”<sup>63</sup>

86. Notably, the CFEB acknowledged that the delivery of workplace-based financial education seminars relied on employers being willing to provide their staff with an opportunity to receive such information. The CFEB commented that public sector companies could also be more active in promoting the financial education agenda, noting that:

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<sup>62</sup> CC(3) FI 19

<sup>63</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 49

“Authorities work in the community and provide local services, but they are also employers. So, for example, Cardiff [council] employs 18,500 people, which is quite a chunk. So, what we tried to do was to provide financial education in the workplace, which was available to all council employees in Cardiff. We held a face-to-face seminar and every member of staff in Cardiff council also received one of our yellow booklets, ‘Making the Most of your Money’, which highlights a range of issues from budgeting through to insurance, borrowing, saving and retirement, which are the basics that you need to understand. So, Cardiff sent that booklet out to its 18,500 staff. So that is an example of a local authority working on this issue as an employer.”<sup>64</sup>

87. We consider that work-place based seminars are a valuable tool in enabling the provision of financial education. Bearing in mind that public resources have been invested in enabling the development of this tool, we consider it to be imperative that it is used to maximum efficiency, and that employers actively encourage and facilitate their staff in attending such seminars. Bearing in mind the wide ranging impacts of financial capability, noted earlier in this report, this may also enable employers to provide their employees with an improved quality of life at very minimal cost.

**We recommend that the Welsh Government engage with both public and private sector employers to encourage them to facilitate the participation of their employees in workplace based financial education seminars, and in receiving financial education resources.**

88. Our witnesses were more critical of the co-ordination of services at a **local level**. For example, Caerphilly County Borough Council highlighted a number of barriers to financial inclusion that existed within the borough, including lack of provision of financial and debt advice services, because of a lack of “joined-up services”<sup>65</sup> within the sector. Moreover, far from indicating that Caerphilly was an isolated example of a region where services were not being co-ordinated, the evidence we received in our inquiry suggested that services in

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<sup>64</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 185

<sup>65</sup> CC(3) FI 10

Caerphilly were actually more joined-up than in other areas in Wales. For example, Citizens Advice Cymru commented to us that:

“in Caerphilly, there is really good co-operation between the housing department and the local CAB, which provides debt clinics in the housing department. The housing department has just written a report to the full council suggesting that the amount of money that it has saved through evictions that have not happened because of that service is more than the cost of its funding for that particular service through the CAB. That sort of co-operation demonstrates that it really recognises how important it is, and refers people, in that case, not just for debt advice but also for financial capability. That is the sort of co-operation that it would be lovely to see absolutely everywhere. However, it is not like that everywhere.”<sup>66</sup>

89. Several witnesses suggested that local authorities should have the lead responsibility for co-ordinating the provision of financial education in their local areas. Rhondda Housing Association noted that it believed there was a role for local government (rather than central government) in co-ordinating the provision of financial education in order to “cater for the needs of communities... one size will not fit all in this area.”<sup>67</sup> Likewise, Scope commented that:

“We agree with the [Financial Inclusion Strategy’s] assertion that local authorities have the potential to play a huge role in promoting financial inclusion in Wales and hope to see the Welsh... Government take a lead on moving this agenda and the strategy forwards.”<sup>68</sup>

90. The Welsh Local Government Association (WLGA) noted the involvement of local authorities in financial education, and the valuable position that authorities are placed in as a result of their day-day-contact with individuals to both identify people in need of financial education and signpost them to it. In particular, they stated that frameworks already exist to enable local authorities to bring different organisations together in strategic partnerships: for example through community planning, the voluntary sector compact agreement, the Local Service Board and Community First Partnerships. This point was

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<sup>66</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 114

<sup>67</sup> CC(3) FI 02

<sup>68</sup> CC(3) FI 27

echoed by Shelter Cymru who described local authorities as key “problem noticers.”<sup>69</sup>

91. Indeed, we received a significant body of evidence on the positive work local authorities were already doing to promote financial inclusion, including their own local strategies. For example, Caerphilly County Borough Council noted that it had conducted an anti-poverty audit within the borough to inform a task and finish group to promote financial inclusion.<sup>70</sup>

92. However, other witnesses were concerned that local authorities were not consistently engaged in the provision of financial education and financial inclusion, because it was not a statutory responsibility. The YWCA noted that:

“the Financial Inclusion Strategy makes recommendations for local authorities, but is unclear as to action which local authorities must take. We believe the Assembly and the WLGA should provide strategic guidance or direction.”<sup>71</sup>

93. Perhaps as a consequence of this, the Mid, West and South Wales Financial Capability Forum had found that although:

“We do invite local authorities and speak with them to try to get them engaged in the financial capability fora... we have poor attendance. Typically, when we talk, I find that we get a response such as, ‘Yes, we are interested, and we need to get involved in this’ but then nothing happens.”<sup>72</sup>

94. Similarly, the North Wales Financial Capability Forum’s co-ordinator commented that:

“You would think that it would sit naturally within their social exclusion agenda, but that is pretty packed anyway. You have to get to an individual, persuade and encourage him or her, and maybe see it grow from there. If chief executives were somehow to have their arms twisted to be more proactive, that would filter down through the ranks. I know that, once we have

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<sup>69</sup> CC(3) FI 12

<sup>70</sup> CC(3) FI 10

<sup>71</sup> CC(3) FI 21

<sup>72</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 141

the business forum agenda, we could do so much more than we are achieving now.”<sup>73</sup>

95. Indeed, Katija Dew commented that:

“One of our challenges, however, is that there is still no statutory responsibility in respect of financial inclusion. So, what we try to do is to piggyback those concepts onto other areas where there is responsibility, for example, in the child poverty agenda, the homelessness agenda and so on. We try to transpose it onto some of those things. However, having that responsibility would make things a lot easier, and it would be easier for stakeholders who want to engage to be able to fit these things into the way that they work.”<sup>74</sup>

96. Similarly, the CFEB commented that:

“The financial inclusion strategy was particularly timely and added a lot of momentum, but it is not statutory, so it depends on a lot of people’s goodwill and an awful lot of persuasion and influence through the Welsh Assembly Government team, and no stick, so to speak. That means that if it is not on some people’s priority list, it does not happen. Perhaps there is a way of adding some kind of statutory duty to local authorities or others, as that would help.”<sup>75</sup>

97. We greatly welcome the efforts made by a significant number of local authorities to address financial inclusion and promote financial education. However, we are also concerned by other evidence received in this inquiry which suggests that other local authorities have not been engaged in this work. We did consider recommending that the Welsh Government place a new statutory duty on local authorities to address financial inclusion and financial education. However, we believe that existing statutory responsibilities on local authorities for example in relation to addressing child poverty, health, social care and wellbeing- can be advanced by addressing financial inclusion and financial education. We believe the Welsh Government could usefully highlight this fact, and suggest that the co-ordination of work on financial inclusion and financial education could be progressed by

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<sup>73</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 54

<sup>74</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 59

<sup>75</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 204

being taken on as a key responsibility for senior individuals in local government.

**We recommend that the Welsh Government engage with local authorities across Wales to highlight the cross-cutting value of addressing financial inclusion and financial education as part of their existing statutory responsibilities. We anticipate that as part of this, the Welsh Government would encourage individual local authorities and housing associations to identify senior individuals to have an overarching responsibility for financial inclusion and financial education work, across the authority/association.**



## Provision through education settings

98. A range of witnesses advocated to us the potential benefits of providing a financial education within traditional educational settings (such as schools), with the North Wales Financial Inclusion forum co-ordinator commenting that:

“if you can enthuse young people, particularly in schools, about money management, they will take it home. They will take it home and they will talk to mum and dad about, ‘Why are you borrowing from the Provident, did you know that it is costing you x times more than more traditional methods?’”<sup>76</sup>

99. The Minister for Social Justice and Local Government noted in his written evidence that financial education is part of the National Curriculum for 7 to 16 year olds. Moreover, aspects of financial education are included in GCSE mathematics and the Personal and Social Education (PSE) framework for 7 to 19 year olds.<sup>77</sup>

100. A number of consultees made reference to the work of the Welsh Financial Education Unit, which was established by the Welsh Government in partnership with the CFEB. The Minister noted that:

“The Unit is initially working with practitioners in schools, local authorities and the further education sector to support the provision of financial education for 7 to 19 year olds in full time learning. The Unit has set out a two year programme of work [...] aimed at supporting practitioners in primary and secondary schools so that they are able to provide a planned and co-ordinated programme of financial education that equips learners to manage their finances and make informed financial decisions.”<sup>78</sup>

101. In additional written evidence received from the Welsh Government, the Minister for Children, Education and Lifelong Learning noted that an independent evaluation of the Unit would be commissioned and completed by April 2011.

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<sup>76</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 67. This method of spreading financial education through family networks appeared to be supported by evidence from respondents to the Committee’s financial education questionnaire, with 60% of respondents identifying family and friends as a provider of financial education, more than any other source.

<sup>77</sup> CC(3) FI 30

<sup>78</sup> CC(3) FI 30

### ***The priority of financial education in the school curriculum***

102. However, a number of witnesses suggested to us that financial education needed to have a greater priority in the curriculum, with Shelter Cymru commenting that:

“The current PSE framework in schools does provide opportunities to teach young people about financial issues but it’s not compulsory for teachers to address every single element of the framework.”<sup>79</sup>

103. Similarly, the Association of British Credit Unions stated that:

“It is very important for schools to meet their thresholds and all their education targets. If this is not up there with getting 30 per cent in English and mathematics, it takes a lower priority.”<sup>80</sup>

104. Several schools in Wales provide pupils with the opportunity to study towards gaining qualifications from the IFS School of Finance. During his rapporteur visit, pupils at Ysgol y Berwyn told Mark Isherwood AM that they were studying for such qualifications because while “there is some provision in maths, physics (bills) and PSE... [there was] not enough”<sup>81</sup> opportunity to gain a financial education elsewhere in the curriculum.

105. Indeed, the co-ordinator of the North Wales Financial Capability Forum, recommended that financial education in schools should be given greater status by “elevating financial education in schools to a GCSE subject.”<sup>82</sup>

106. However, the Financial Services Authority suggested that:

“in Wales—unlike England, I am sad to say—financial education is now embedded in the curriculum. I suspect that that is because the profile of financial education in schools has been raised. That has been adopted by the Welsh Assembly Government as something that it is important to ensure that all children receive consistently across Wales. The resources that are available to support the Welsh Financial Education Unit are

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<sup>79</sup> CC(3) FI 12

<sup>80</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 34

<sup>81</sup> CC(3) AWE 05 Note of Members visit to Ysgol y Berwyn

<sup>82</sup> CC(3) FI 03

inevitably finite. We would like to see more resources made available and we may need to lever them in from elsewhere.”<sup>83</sup>

107. Nevertheless, a number of witnesses and consultees considered that the provision of financial education in schools in Wales was still not ideal, with the Association of Teachers and Lecturers suggesting that the amount of school time devoted to financial education was too limited because of curriculum pressure.

108. We are conscious that the PSE framework is already under pressure to deliver on multiple key issues. Nevertheless, we believe financial education needs to be given a clear priority within this framework, by the Welsh Government, given the ramifications of financial education for material, emotional and mental health.

**We recommend that the Welsh Government ensures that the provision of financial education is a compulsory element of the PSE framework, and reviews the emphasis placed on financial education on a regular basis.**

***Provision of resources for delivering financial education in schools***

109. The Minister for Children, Education and Lifelong Learning advised us that the:

“WFEU is able to provide advice on the opportunities available. The FSA- now CFEB- and most banks have produced materials for use in primary and secondary schools and in some instances have staff members trained to work with teachers in the delivery of financial education. The resources are provided free of charge. Most are also on-line, so that they can be easily accessed by schools. One of the targets set for WFEU has been to work with the financial services sector to ensure that material is increasingly available in both English and Welsh.”<sup>84</sup>

110. However, the Association of Teachers and Lecturers commented that:

“One member reported that in their school financial education in school currently involves downloading materials from various major financial institutions’ websites which are then

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<sup>83</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 163

<sup>84</sup> CC(3) AWE 08 Minister for Children, Education and Lifelong Learning following issues raised at evidence session 8 July

adapted to fit the timetabled PSE slot. Clear guidelines are needed and adequately resourced training for teachers. 'Pure' resources that are not tainted by financial institutions overt or covert advertising are necessary."<sup>85</sup>

111. We are concerned by this apparent contradiction in our evidence, and consider that the Welsh Government could usefully provide clear direction to schools on which resources it considers suitable for utilising in financial education lessons. We have sought to address this issue in recommendation 4, which calls for a 'central hub' of information to include a directory of approved resources for the provision of financial education in school.

### ***Who delivers financial education in education settings?***

112. There was some debate between witnesses over who was best placed to deliver financial education in schools. For example, the North Wales Financial Capability Forum co-ordinator suggested that:

"If you rely on the existing school staff to do it, it will get watered down, because a lot of them do not themselves understand money enough to feel confident when they talk about money issues... It is all well and good having the programmes, as sophisticated and potentially brilliant as they are, but how you deliver them on the ground is the real challenge and that is where the resources come in."<sup>86</sup>

113. Similarly, when Bethan Jenkins AM visited Swansea Citizens Advice Bureau, she heard that "teachers aren't always confident to teach it, they don't always know how to approach the subject and can't assume they are financially capable themselves."<sup>87</sup>

114. However, other witnesses considered that teachers were better placed to deliver financial education than external agents, because such external parties would:

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<sup>85</sup> CC(3) FI 04

<sup>86</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 23

<sup>87</sup> CC(3) AWE 09 Note of Member visit to Swansea Citizen's Advice Bureau

“not know the particular needs of that group of young people... the information could be tailored by using the people who know those receiving the information.”<sup>88</sup>

115. Notably, the Welsh Government’s Welsh Financial Education Unit was established in partnership with the FSA (now the CFEB) as many teachers felt they did not have the confidence to teach this part of the curriculum.<sup>89</sup> Many consultees made reference to the important role that the unit plays in supporting schools and local authorities in the provision of financial education. The CFEB noted that an evaluation has been made of the best way for WFEU development officers to train teachers in the delivery of effective financial education, which:

“indicated that a blended approach of out of school training, and using pre-existing PSE/Mathematics training events, to be the most effective way of supporting teachers in Wales.”<sup>90</sup>

116. A common ‘middle ground’ amongst witnesses’ views on this issue was therefore for teachers to be responsible for delivering financial education, with the support of the WFEU and other external agencies. For example, Association of British Credit Union Limited (ABCUL) noted that many credit unions are involved in delivering financial education in schools, mainly primary schools. ABCUL highlighted the fact that financial education has been placed within the school curriculum in Wales, and this is an example that should be followed elsewhere.<sup>91</sup> Similarly, the CFEB noted that:

“a lot of agencies go into schools and help and support teachers by delivering more relevant information and case studies from the local environment and communities. We are trying to encourage the embedding of that as part of the wider learning at the school. The teacher has the educational knowledge and is able to link all that experience that is coming in to the wider curriculum across the school. For example, representatives of a citizens advice bureau may go in and talk about real-life debt, how that might work and what it might look like. That could be filtered into a maths lesson to make it more relevant, or into a personal and social education lesson,

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<sup>88</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 102

<sup>89</sup> CC(3) FI 22

<sup>90</sup> CC(3) AWE 07 CFEB following oral evidence session on 20 May

<sup>91</sup> CC(3) FI 23

where you could look at real experiences in the community. We need teachers who feel comfortable in delivering that, but who can also support the people who are coming in and make it a much more sustainable educational experience. If you come in from an external organisation and do a lesson with a class, you might have 30 minutes with 30 children and young people, and then you go away again. We would like for the teacher to pick that experience up and make it more sustainable, so that a confident teacher who understands the issues and is comfortable in teaching the subject can then be with those 30 children the next week, the week after, and the week after that, and next year. That may not happen with an organisation coming in. Such an organisation may not understand educational outcomes and how they might work in the classroom, and it may not understand the young people it deals with for those 30 minutes... it is no good the Financial Services Authority or the Consumer Financial Education Body trying to get in to schools to deliver these programmes; they have to be delivered by teachers.”<sup>92</sup>

117. We concur with this analysis, and consider that financial education can be best delivered through a partnership approach of teachers and external agencies. Indeed, we had the opportunity to observe practical applications of such partnership working. During her visit to Swansea Citizens Advice Bureau, Bethan Jenkins AM heard that the bureau had:

“worked with 22 schools, they have tailored workshops to suit children of varying ages – very positive feedback and they have been asked to go back to provide further workshops... CAB has links with school councils. Every school council has a treasurer and CAB have helped them open bank accounts.... Tuck shops in schools are run by the school councils and CAB has provided business workshops and offer help with business plans.”<sup>93</sup>

118. Similarly, Members visiting Ysgol y Bryn Gwalia, which had developed a partnership with the all-Flintshire credit union, heard from students how they had gathered a financial education from the credit union’s presence at the school. Pupils commented that they had

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<sup>92</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 171-4

<sup>93</sup> CC(3) AWE 09 Note of Members visit to Swansea Citizens Advice Bureau

already changed their financial habits as a result of this education, noting that it:

“stops you thinking all the time that you have to spend – able to save for what you really want... used to buy things that I wouldn’t use again – now in the habit of saving for when I am older... you are not just wasting it on cheap toys, but saving for more important things like football.”<sup>94</sup>

119. We were concerned by evidence taken which suggested that some schools were not aware of potential partners with whom they could work with to provide financial education. For example, Mark Isherwood AM heard, during his visit to Ysgol y Berwyn, that although “the school was eager to know more about the possibility of working with the Credit Unions, they are not aware of any such scheme currently in the area.”<sup>95</sup> However, the Welsh Government stated that it was already taking steps so that:

“guidance, to be produced by WFEU on financial education for 7-19 year olds, will include information on the opportunities for learning providers in Wales to enhance learning through partnership with the financial services sector, credit unions and the Citizens Advice service.”<sup>96</sup>

120. We consider that the Welsh Government could usefully complement its guidance on financial education for 7-19 years olds by enabling schools to quickly identify and develop links with potential partners through a ‘central hub’ of information. We have incorporated this suggestion into recommendation 4.

#### *Monitoring of external agencies supporting teachers*

121. Several witnesses also suggested that external agencies who were involved in the provision of financial education, through educational settings should be monitored. For example, Shelter Cymru were concerned that:

“There is a role for banks, but we are trying to emphasise the point that they are private companies, ultimately, and so they

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<sup>94</sup> CC(3) AWE 04 Note of Members Rapporteur visit to Ysgol y Bryn Gwalia

<sup>95</sup> CC(3) AWE 05 Note of Member Rapporteur visit to Ysgol y Berwyn

<sup>96</sup> CC(3) AWE 08 Minister for Children, Education and Lifelong Learning following issues raised at evidence session 8 July

may have an agenda. They may not necessarily be going in to talk about financial education. They will touch on it, but, ultimately, it may be a case of their saying, ‘You can save, so why not save with us?’ We are concerned that that would be a little biased and not an independent service. That is not to say that we do not support an approach from banks.”<sup>97</sup>

122. More broadly, Jane Wynne, co-ordinator for the Mid, South and West Wales Financial Forum commented that:

“there are a lot of partners and organisations out there now, as I say, several years on, picking up financial capability and running with it and trying to do their own training, if you like... Over and above that, an organisation like the FSA should say—and I am sure that they probably do not want to be given this role—‘What are you taking out there? What are you teaching and what is the quality of that work?’ I think that is very important.”<sup>98</sup>

123. We believe that there is an important role for external agencies to engage in the provision of financial education, and believe that—particularly in the current financial climate—there should be a priority placed on encouraging such. However, we also believe that there is a need to monitor and regulate such provision, and consider that the Welsh Government could usefully engage Estyn in examining this issue.

**We recommend that the Welsh Government invite Estyn to consider whether the standards of financial education delivered in schools, including provision delivered through external agencies, are adequately promoted and monitored.**

### **Provision through a media campaign**

124. Several of our witnesses suggested in oral evidence that the profile of financial education could usefully be raised through a media campaign, aimed at tackling the perspective that financial education was only required by people in debt or with ‘money problems.’ The North Wales Financial Capability Forum co-ordinator commented, for example that:

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<sup>97</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 107

<sup>98</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 114



“We need people to see it on the television, in the newspapers and on the radio. We need them to pick up on images, straplines and buzzwords about money, and how, if you manage it, you get a much better deal, and, if you do not manage it, something nasty might happen but you are not on your own. There are a lot of people out there who can help you with little bits of it, from the FSA to your next-door neighbour. If financial capability is going to work in the long term, it has to be embedded, particularly on our social housing estates... we also need to put it into a context whereby people feel comfortable talking to anyone about money, just like they talk about football.”<sup>99</sup>

125. Katija Dew agreed that financial education was needed by everyone, commenting that:

“people who are seen to be haves, as opposed to have-nots, often end up being have-nots because they cannot manage their money properly. So, people who are on a moderate income or a lower moderate income end up on a low disposable income because the parameters of financial exclusion stop them from making the most of their money and therefore being able to make choices. So, they end up on a lower income than people who might be seen as have-nots.”<sup>100</sup>

126. We concur with this analysis, and consider that a media campaign could help to increase knowledge about the meanings of jargon commonly used in financial advertising. Notably only 29.3% of respondents to our questionnaire stated that they were confident that they knew what terms like ‘APR’ and ‘AER’ meant.<sup>101</sup> We also believe a campaign could be progressed through local authorities’ monthly or quarterly reports, with Joyce Watson AM asking:

“Do you agree that it is not beyond the bounds of reason for them (LAs) to pose some very simple questions on the back when they send out those reports? The taxpayer is paying for it anyway and it goes out, sometimes quarterly and sometimes annually, so why not pose some very simple questions on the

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<sup>99</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 46-47

<sup>100</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 47

<sup>101</sup> Responses to Committee’s questionnaire.

back? It links to your media campaign, but on a local level. You could ask people whether they are likely to be able to claim.”<sup>102</sup>

**We recommend that the Welsh Government consider undertaking a sustained media campaign to help people to understand the benefits of financial inclusion and education, and how they can access support and financial services (including basic bank accounts and home contents insurance) locally, working with stakeholders at local and national levels.**

127. However, we also recognise that financial education will be a long term objective, rather than a ‘quick win.’ Indeed, a number of our witnesses suggested that people’s problems with financial management can stem not solely from a lack of information, but also from a whole host of competing and often contradictory sources which can “overwhelm”<sup>103</sup> people. For example, one respondent to our questionnaire criticised:

“the confusing 'advertisement culture'... the 'up-to' culture... they advertise something but in reality they are deceiving people.”<sup>104</sup>

128. Similarly, the ABCUL commented that:

“Everything that we have in our society smacks of easy credit— ‘Get it now’, ‘Buy now; worry about it later’—so to encourage saving is counter-cultural. My partner is a head teacher, and she said that I can talk as much as I like about financial education, but it is hard to do. Everything that children are hearing, 24 hours a day, is pushing things in the opposite direction.”<sup>105</sup>

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<sup>102</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 103

<sup>103</sup> CC(3) FI 07

<sup>104</sup> Responses to Committee questionnaire

<sup>105</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 17

## **2. Financial inclusion- access to financial services**

129. Although our inquiry was focused upon the impact of financial education, a range of witnesses commented that financial education had to be complemented by access to financial services for it to be effective. For example, although Community Housing Cymru observed that “we can all go through times in our lives when we are financially excluded but, if we are financially capable and we have the education to weather that, we can come out the other side,”<sup>106</sup> they also asserted that:

“even if awareness, knowledge and education were perfect in this country tomorrow, and we waved a magic wand on that, you still have this issue of choice. Unless we can increase the products available for people who are currently not served, we are not giving them a choice, and knowledge without choice can be pretty meaningless.”<sup>107</sup>

130. Similarly, the CFEB noted that:

“Without greater access to financial services the vision of financial inclusion in Wales will not be achieved... Financial education can reduce reliance for some on doorstep lenders to a certain extent but will have very little impact unless accessible, affordable alternatives exist and are well marketed.”<sup>108</sup>

131. The co-ordinator of the Mid, West and South Wales Financial Capability Forum also commented that it was valuable to link financial education with accessible financial services, suggesting that:

“financial education provided should be inclusive of subject areas such as accessing and using appropriate financial products and services – often subjects offered are restricted to budgeting and borrowing.”<sup>109</sup>

132. Similarly, Swansea’s Financial Inclusion Steering Group emphasised that it is not simply enough to give people the skills they

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<sup>106</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 15

<sup>107</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 78

<sup>108</sup> CC(3) FI 22

<sup>109</sup> CC(3) FI 28

need to manage their money, they also need to be able to access suitable services and products. We concur with this analysis, recognising that there is little point in enabling people with the skills to select a financial service appropriate to their needs, if they are denied the ability to access a suitable product or service.

### **Access to basic bank accounts**

133. Les Cooper, co-ordinator of the North Wales Financial Capability Forum, noted that the forum's experience shows that in some bank branches there is no information about basic bank accounts in public areas. He commented that:

“head office, the people at the top, will sign up to initiatives, they will support Government programmes and commit their organisations to the financial capability process. The problem is that that information does not filter down to counter level. The current take-up of bank accounts is quite high; I think that 92 per cent is pretty good. For the remaining 8 per cent, there will be a whole raft of reasons why those people are not taking out basic bank accounts. [61] The head office signs up to basic bank accounts as a great idea, but when you go into local branches—and I visited some in Wrexham recently—you see that there is not a single leaflet about them. If people go up to the counter and ask to open an account, they are immediately offered a current account, because the counter staff get commission for opening those kinds of accounts. Basic bank accounts are not even referred to. The lack of communication across all levels is a contributory factor.”<sup>110</sup>

134. Similarly, the Department for Work and Pensions' National Financial Inclusion Champion for Wales commented that:

“There are still difficulties in obtaining basic bank accounts. We are trying to monitor that centrally, via the financial inclusion champion initiative. There are several problems with this... the banks really need to take their responsibilities on board, and we are working on high-level policy on this matter over the border.”<sup>111</sup>

135. Likewise, the Citizens' Advice Cymru commented that banks:

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<sup>110</sup> RoP, Communities and Culture Committee, 22 April 2010, Para 60

<sup>111</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 55

“also have a duty to ensure that their services are available to everyone; credit unions are very good at that and some of the banks are very bad at it. Basic bank accounts are supposed to be available to everyone, but some of our clients continue to experience difficulties in opening a basic bank account. So, they are the sorts of basic things that they could do. They could improve their customer relations in that way. As someone who started their career on benefits and virtually no income, I am still with the same bank, which is doing very nicely, thank you, out of me now... So, it is quite short-sighted of some parts of the credit industry to be so reluctant to provide services to people who are vulnerable and in poverty right now, because those people will move on in their lives.”<sup>112</sup>

136. In its written evidence, Barclays noted that it has over 800,000 customers using its Basic Bank Account, and almost 50,000 of these are in deprived parts of the UK. However, it went on to note that its basic bank account was “one of only two accounts available on the high street that is open to undischarged bankrupts and therefore accessible to anyone without a history of fraud.”<sup>113</sup>

137. We welcome the provision of basic bank accounts by Barclays and other financial service providers. However, we consider that the Welsh Government could usefully engage other major banks in encouraging them to actively promote such services in local branches.

**We recommend that the Welsh Government continue to engage with high street banks to take a more positive approach to the opening of basic bank accounts.**

### **Post offices**

138. Age Cymru noted that post offices can play a major role in accessing financial services for older people:

“The Post Office can play a vital role in areas where there is difficulty in accessing banks and other financial services. In

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<sup>112</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 121

<sup>113</sup> CC(3) FI 11

many cases, post offices are a key service that helps both rural and urban communities remain viable.”<sup>114</sup>

139. ABCUL also highlighted the role played by post offices, and noted the plans to offer credit union services through the post office network:

“Through linking to the back-office, members would be able to use any credit union’s services at any PO branch providing a true affordable alternative to many and benefiting the sustainability of both credit unions and the Post Office network.”<sup>115</sup>

140. We welcome this innovative link-up between the Post Office and credit unions, and look forward to it developing further.

### **Credit Unions**

141. ABCUL pointed out that credit unions were both a provider of accessible financial services, and had a statutory obligation to provide financial education to their members through “the training and education of members in the wise use of money and in the management of their financial affairs.”<sup>116</sup>

142. However, while it was generally recognised that there was all-Wales credit union coverage, a majority of witnesses commented that some unions were more successful than others. Although 61% of respondents to our questionnaire stated that knew what credit unions were, a majority of our witnesses considered that awareness of credit unions amongst the population as a whole was still relatively low. Scope suggested its own research showed 98 per cent of people never or rarely use a credit union, while Age Cymru suggested that there was a low awareness of credit unions amongst older people. The co-ordinator of the North Wales Financial Capability Forum suggested that the movement was not growing at a rate sufficient to challenge home credit companies (doorstep lenders such as Provident).

143. The Minister for Social Justice and Local Government acknowledged that awareness and usage of credit unions could be increased, but commented that:

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<sup>114</sup> CC(3) FI 13

<sup>115</sup> CC(3) FI 23

<sup>116</sup> CC(3) FI 23

“Rather than trying to bring about the growth of the sector, I am currently trying to ensure its stability first. We do not want to build a huge unit that does not have firm foundations.”<sup>117</sup>

144. Bearing in mind the recent closure of Landsker Community Credit Union we concur with the Minister’s assessment. We also welcome the fact that savers with this credit union were able to recover their savings through the Financial Services Compensation Scheme, illustrating the relative security of saving with such credit unions.

### **Community Development Finance Institutions**

145. Community Housing Cymru, the representative body for housing associations in Wales, has been instrumental in the establishment of Moneyline Cymru, a Community Development Finance Institution (CDFI) developed specifically to provide affordable loans and to respond to the use of doorstep lenders by housing association tenants. Community Housing Cymru’s written evidence described Moneyline Cymru as “an affordable, responsible and sustainable lending project which [also] provides financial planning and money advice.”<sup>118</sup>

146. Responding to our concerns about the relatively high interest rates placed on some of its loans, Community Housing Cymru commented that:

“What we are trying to do is to plug that gap and assist that next cohort of people who have not been in a position to save with a credit union over three months, do not have credit union membership, are a high risk, and would never be served by a bank. Their only other alternative, their best next alternative, is 275 per cent from a doorstep lender. That best next alternative on £100 over 52 weeks will cost them £70 in interest charges for that £100. People who come through Moneyline will be lent against risk, and we will assess the risk that they carry. The interest rate will vary between 27 per cent, which is just above what credit unions charge, up to about 41 per cent. So, if we were charging somebody 27 per cent, they would pay £19 for the £100 that they borrow over the period of 12 months, which is obviously £51 cheaper than the doorstep lender. We give an

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<sup>117</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 157

<sup>118</sup> CC(3) FI 21

example of where that has had a pretty significant effect on one individual: a 61-year-old woman who is on benefits paying £200 a month to a doorstep lender. Moneyline redeemed that debt and she now pays £80 a month, and, within that £80, £20 goes to the local credit union, so she is starting to have savings for the first time. [50] Over time, we will have to assess how things go with default rates. Where we can bring down interest rate charges, we are very keen to do that, but I can assure you that we have been very aware of that. However, to show some leadership, given the scale of the problem out there, we still feel that it is much better to offer people a 27 or 40 per cent loan than simply to throw them to the alternatives, which can be anything from 270 per cent to 2,000 per cent, in some cases.”<sup>119</sup>

147. Community Housing Cymru noted that Moneyline’s interest rates were higher than those charged by credit unions, but lower than doorstep home credit companies.

148. However, we expressed some concerns about these higher interest rates, with Mohammed Asghar AM remarking that:

“you say that you are reducing interest rates from 275 per cent to a lesser percentage, but someone jumping from floor 270 of a building or floor 26 will still get hurt.”<sup>120</sup>

149. Indeed, one respondent to our questionnaire advocated that:

“we should also look to legislate to prevent interest rates that are beyond 50% - its scandalous daylight robbery on the most ill-educated, desperate, poorest and vulnerable people and its a disgrace that it has been left by politicians to go unchecked.”<sup>121</sup>

150. We remain concerned about such high interest rates, and the lack of a national ban on excessive interest rates. Notably, in ‘The Coalition: Our Programme for Government’ the UK Government stated that it would:

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<sup>119</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 49-50

<sup>120</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 61

<sup>121</sup> Responses to Committee’s questionnaire.



“give regulators new powers to define and ban excessive interest rates on credit and store cards; and we will introduce a seven-day cooling-off period for store cards.”<sup>122</sup>

151. We therefore look forward to the development of these proposals.

### **Home Contents Insurance**

152. The low take-up of home contents insurance was mentioned by both Les Cooper and Community Housing Cymru. Both suggested that there should be more awareness raising of this issue, with Community Housing Cymru suggesting there should be a concerted campaign by both the sector and Welsh Government to encourage take-up.

153. We consider that this issue could usefully be addressed through the media campaign detailed in recommendation 12 of our report.

### **Financial exclusion through lack of internet access**

154. Age Cymru noted that many financial products are increasingly only available online which presents a barrier to anyone without internet access.

155. This concern was echoed by Consumer Focus Wales which pointed to its own research on this subject, *Logged in or locked out?*, which pointed to just 27 per cent of those aged 65 or over having access to the internet. This report also highlighted more affluent social groups as more likely to have internet access. National Energy Action Cymru continued this theme by highlighting that many of the best deals for energy are not an option for those people who are “digitally excluded”<sup>123</sup> or who have no bank account.

156. We are concerned that people may lack internet access both through lack of skills and technology, and welcome the efforts of both the Welsh and UK Governments to address these needs. We also note and look forward to the National Assembly for Wales’ Enterprise and Learning Committee’s forthcoming inquiry into The Welsh Government’s intended approach to the implementation, monitoring and evaluation of the Economic Renewal Programme. We understand that this inquiry will have a particular focus on infrastructure, skills and broadband.

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<sup>122</sup> The Coalition: Our Programme for Government, HM Government, page 12.

<sup>123</sup> CC(3) FI 18

### 3. Stigma

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*“Don’t know who to ask. Do not want to admit it to family and friends... I was too embarrassed to ask for help: I felt that I 'should' know how to manage my money. It would have been a bit like saying I didn't have any common sense. I learnt from my mistakes in silence.”*

- Anonymous responses to Committee’s Financial Education questionnaire.<sup>124</sup>

157. ContinYou Cymru commented that part of the reason why financial education doesn’t always reach those who need it the most is because of the “stigma” attached to not understanding finances.<sup>125</sup> The Minister for Social Justice and Local Government agreed that:

“there is still that stigma because people sometimes do not want to ask for advice on money... Sometimes, people may think that it is silly to ask a certain question, but the answer might make a huge difference to their lives”<sup>126</sup>

158. Several witnesses commented that this stigma could make banks and other financial institutions appear intimidating to people in need of financial education. The Mid, South and West Wales Financial Capability Forum Co-ordinator commented that

“a lot of the people we were working with felt intimidated and would not even want to walk through the door of a bank or a financial institution. They felt that they were too poor to use these services, that they would not know the correct questions to ask, that they would feel intimidated by the staff and that they did not have a driving licence or a passport, or whatever they would need.”<sup>127</sup>

159. By contrast, the ABCUL commented that while:

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<sup>124</sup> Responses to Committee’s questionnaire. Notably, despite 57.1% of respondents to our questionnaire stating that they had experienced money problems, 67.7% of respondents stated that they had never asked for help in managing their money.

<sup>125</sup> CC(3) FI 06

<sup>126</sup> RoP, Communities and Culture Committee, 8 July 2010, Paras 133 and 144

<sup>127</sup> RoP, Communities and Culture Committee, 10 June 2010, Para 136

“there are many barriers to people feeling that a bank is a welcoming place. We feel that, in many credit unions, we can do something that welcomes people better than that.”<sup>128</sup>

160. We are concerned that stigma can be an enormous barrier to accessing financial services or gaining a financial education. We consider, however, that by addressing financial education through universal channels, such as schools and via a media campaign, that myths and stigma can be effectively challenged.

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<sup>128</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 65

## 4. Income Maximisation and Debt Minimisation

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161. The links between financial education, access to affordable credit and income maximisation were emphasised by many consultees in their written evidence. For example, Consumer Focus Wales commented that:

“Linking financial education with income maximisation programmes would also help to provide a more holistic service. Alerting people to the benefits they are entitled to and supporting take-up is just one aspect. Financial education can also help people to understand the benefits system, particularly important when Government policy means entitlements may change and incomes may be reduced, as well as providing people with key budgeting skills to help them manage on a very limited income.”<sup>129</sup>

162. Similarly, Citizens Advice Cymru commented that:

“You must do income maximisation and understanding money management, because they go together. Any debt service that does not do income maximisation is not a decent debt service. You must do both because people’s lives are about what comes in and what goes out. People will not learn to manage their money unless they understand both sides of that equation.”<sup>130</sup>

163. Witnesses also agreed that it was valuable for financial education initiatives to recognise that debts would sometimes need to be taken on, and look at minimising the impact of such debts. For example, Carmarthenshire Council noted the importance of not focusing financial education solely on debt prevention as:

“the most financially literate person can find themselves in debt due to unforeseen circumstances and/or bad choices made despite high levels of capability.”<sup>131</sup>

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<sup>129</sup> CC(3) FI 14

<sup>130</sup> RoP, Communities and Culture Committee, 24 June 2010, Para 130

<sup>131</sup> CC(3) FI 26

## Benefit take-up

164. Age UK noted that the UK Government has estimated that poverty levels amongst older people could be reduced by around one third if there was a full take-up of the income related benefits they were entitled to. Pension Credit and Council Tax Benefit were both specifically mentioned as areas where there are particularly low take-up rates.<sup>132</sup> They suggested that an automatic payment of benefits may be a way forward and made reference to a pilot in England.

165. Income maximisation is of particular concern to National Energy Action Cymru who highlighted the difference it would make to those in fuel poverty. They saw the role of local authorities as key, and repeated their call for a statutory duty to be placed on local authorities to tackle fuel poverty – something they feel could not be achieved without adequately addressing many aspects of financial inclusion.<sup>133</sup> Other witnesses also suggested that local authorities could have a more proactive role in prompting people to apply for benefits if they were entitled to them. For example, the North Wales Financial Capability Forum Co-ordinator commented that:

“the housing department, the rent officers, do not seem to talk too much about housing benefit at a strategic level. They may chase housing benefit claims on behalf of a particular resident, but I think that the two departments should be under the same management team, to get that synergy between the two aspects. Local authorities are very aggressive in the way they recover council tax arrears. If they applied that level of aggression to helping people in the first place, I think that they could get the same sort of results... We use rent arrears, within the Wales and West Housing Association, as a trigger, an indicator that something is going wrong, and I think that local authorities could just as well do that, not just with rent, but with council tax. Before they send the account to a bailiff company, let us just think about what is going wrong. Let us establish a dialogue with that person before we take it onto another level.”<sup>134</sup>

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<sup>132</sup> CC(3) FI 13

<sup>133</sup> CC(3) FI 18

<sup>134</sup> RoP, Communities and Culture Committee, 22 April 2010, Paras 96- 97

166. Shelter Cymru also agreed that Local Authorities could have a more active role in promoting information, commenting that “Local authorities can also be involved in promoting services to the public in their areas through the information that they put out, such as internet sites, newspapers and so on.”<sup>135</sup>

167. Consumer Focus Wales also suggested that as the Welsh Government are already funders of several income maximisation programmes, such as:

“Better Advice: Better Health; local authority based initiatives to increase the take-up of Housing/Council Tax Benefit; increasing benefit take up amongst families with disabled children; and the Home Energy Efficiency Scheme... the Committee could recommend cross-referral mechanisms between these programmes and financial capability initiatives are improved.”<sup>136</sup>

168. We welcome the work that the Welsh Government have undertaken, for a considerable period of time, to ensure a proactive approach to benefit take-up across local services. We urge the Welsh Government to continue these efforts.

**We recommend that the Welsh Government continue to engage with local authorities and third sector advice services to ensure a proactive approach to enabling benefit take-up. We anticipate this would include ensuring that if people are known to be in rent and/or council tax arrears that they are signposted to information on benefits that they may be entitled to, but are not claiming.**

### **Debt Minimisation**

169. Consumer Focus Wales noted that it had commissioned a Wales-wide debt survey which was published in August 2010.

170. Katija Dew made reference to remarks made by Citizens Advice that indicate many debt problems are precipitated by a major change in life circumstances such as unemployment. She stated her support for the CFEBs strategy of targeting individuals at key life stages.

171. We welcome the work undertaken by the CFEB to address debt minimisation.

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<sup>135</sup> RoP, Communities and Culture Committee, 20 May 2010, Para 117

<sup>136</sup> CC(3) FI 14

## Illegal money lending

172. The vast majority of witnesses and members of the public (completing the Committee’s financial education questionnaire) considered that financial education was a significant factor in deterring people from being exploited by illegal money lending.<sup>137</sup> Indeed, one pupil from Ysgol y Bryn Gwalia specifically commented that, as a result of the financial education they had received “we won’t borrow from loan sharks.”<sup>138</sup> The North Wales Financial Capability Forum co-ordinator commented that:

“With the growing problem of illegal money lending there is also a need for the police to be more proactive on social housing estates. Community police officers are ideally placed to monitor the “credit traffic” in their areas and should be able to differentiate between individuals engaged in such activity. The collection of low level intelligence could make a positive contribution to the work of the Illegal Money Lending Unit.”<sup>139</sup>

173. However, a number of witnesses also commented that preventing illegal money lending relied as much on enabling access to (legal) financially accessible products, as it did on financial education. For example, Scope noted that “it is access to credit rather than a lack of awareness of the consequences that is the biggest factor in the use of doorstep lending and loan sharks.”<sup>140</sup>

174. Notably, the work of the Wales Illegal Money Lending Unit was praised by a number of consultees. In its written evidence, the Unit noted that:

“Working within communities, with our stakeholder and partner agencies on a daily basis has demonstrated a frustration on the lack of accessibility of affordable credit for those who really need it. Many loan sharks target and entrap those who are vulnerable and cannot on their own access credit, employment or other means of remaining on an even keel.”<sup>141</sup>

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<sup>137</sup> 92.7% of respondents to the Committee’s questionnaire considered that a financial education would make people less likely to borrow money from loan sharks.

<sup>138</sup> CC(3) AWE 04 Note of Members Rapporteur visit to Ysgol y Bryn Gwalia

<sup>139</sup> CC(3) FI 03

<sup>140</sup> CC(3) FI 27

<sup>141</sup> CC(3) FI 31

175. The Minister for Social Justice and Local Government also praised the work of the unit, commenting that:

“A month or two ago, there was a big crackdown on illegal money-lending in Flintshire, in the area that you represent, Chair. I cannot say enough about the unit; it is really good, I am very supportive of it, and it is doing a good job. However, it could come under threat because of the finances. A partnership approach is being taken, involving trading standards, the police, and funding from the Department for Business, Innovation and Skills goes in to support the unit.”<sup>142</sup>

176. We fully support and welcome the range of work undertaken by the Wales Illegal Money Lending Unit, and consider the continuation of its role to have critical importance, especially in the current economic climate.

**We recommend that the Welsh Government continues to engage with stakeholders and the UK Government to raise awareness of illegal money lending and the damaging impact it has on families and communities. As part of this, we anticipate that the Welsh Government will continue to engage with partners to ensure that the valuable role of the Illegal Money Lending Unit is sustained and developed.**

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<sup>142</sup> RoP, Communities and Culture Committee, 8 July 2010, Para 167



## Witnesses

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The following witnesses provided oral evidence to the Committee on the dates noted below. Transcripts of all oral evidence sessions can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-ccc>

<b>22 April</b>	
Les Cooper, Co-ordinator of the North Wales Financial Capability Forum	North Wales Financial Capability Forum and Wales and West Housing Association
<b>20 May</b>	
Katija Dew, Financial Inclusion Champion, Wales	Department of Work and Pensions Financial Inclusion Champions Team in Wales
John Puzey, Director Rhian Jones, Education Co-ordinator Kath Dobie, Projects Manager	Shelter Cymru
Lee Phillips, Financial Capability Manager for Wales Chris Pond, Director of Financial Capability and Senior Adviser at the FSA	Financial Services Association (FSA) and Consumer Financial Education Body (CFEB)
<b>10 June</b>	
Clare Williams, Financial Inclusion Officer Nick Bennett, Chief Executive Officer	Community Housing Cymru (CHC)

Jayne Wynn, Financial Capability Manager at Powys Citizens Advice Bureaux and Co-ordinator of Mid and South and West Wales Financial Capability Forum	Mid, South and West Wales Financial Capability Forum
<b>24 June</b>	
Mark Lyonette, Chief Executive	Association of British Credit Unions (ABCUL)
Fran Targett, Director Wales	Citizens Advice Bureaux
<b>8 July</b>	
Carl Sargeant, Minister for Social Justice and Local Government  Lynne Schofield, Head of Financial Inclusion Unit	Welsh Government

## List of written evidence

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The following people and organisations provided written evidence to the Committee. All written evidence can be viewed in full at <http://www.assemblywales.org/bus-home/bus-committees/bus-committees-scrutiny-committees/bus-committees-third-ccc-home.htm>

Name	Organisation	Reference
Ian Ross, Policy and Development Manager	Rathbone Cymru	FI 01
Leighton Hughes, Community Trainee	Rhondda Housing Association	FI 02
Les Cooper, Co-ordinator of the North Wales Financial Capability Forum	North Wales Financial Capability Forum and Wales and West Housing Association	FI 03
Zoë Brewis, Research and Information Officer	Association of Teachers and Lecturers	FI 04
David Lermon, Director for Wales	The Institute of Chartered Accountants in England & Wales	FI 05
Pam Boyd, Executive Director	ContinYou Cymru	FI 06
Dr. Claes Belfrage Dr. Alan Finlayson	Swansea University	FI 07
Katija Dew, Financial Inclusion Champion, Wales	Department of Work and Pensions Financial Inclusion Champions Team in Wales	FI 08 AWE 01

Anita Myfanwy, End Child Poverty Network Cymru Development Officer	Children in Wales co-ordinated End Child Poverty Network Cymru	FI 09
Jackie Dix, Acting Policy and Research Manager	Caerphilly Borough Council	FI 10
Jon Brenchley, Regional Head of Corporate Affairs, Wales	Barclays	FI 11
Rhian Jones, Education Co-ordinator	Shelter Cymru	FI 12 AWE 02
Graeme Francis, Head of Policy and Public Affairs	Age Cymru	FI 13
Lindsey Kearton, Senior Policy Advocate	Consumer Focus Wales	FI 14
Jan Owen, Development Officer (Employer Mentoring) Education Business Team	Careers North East Wales and Debtcred	FI 15
Fran Targett, Director Wales	Citizens Advice Cymru	FI 16 AWE 06, 6a, 6b, 6c, 6d
Helen Roach, Development Officer	National Energy Action (NEA) Cymru	FI 18

Mary Sherwood, Campaigns & Development Officer	Swansea's Financial Inclusion Steering Group	FI 19
Linda Pritchard, Welsh Policy Officer	YWCA England & Wales	FI 21
Clare Williams, Financial Inclusion Officer	Community Housing Cymru	FI 20
Lee Phillips, Financial Capability Manager for Wales	Consumer Financial Education Body (CFEB)	FI 22 AWE 07 and 07a
Matt Bland, Policy & Communications Assistant	ABCUL – Association of British Credit Unions Limited	FI 23
Richard Jones Abbas, Anti-poverty and Welfare Rights Manager	Denbighshire Social Services	FI 24
Anthea Hogg, Tenancy Services Manager	Clywd Alyn Housing Association	FI 25
Llinos Evans, Partnership & Policy Officer	Carmarthenshire County Council	FI 26
Matt O'Grady, Policy and Campaigns Officer (Wales)	Scope Cymru	FI 27

Jayne Wynn, Financial Capability Manager at Powys Citizens Advice Bureaux and Co- ordinator of Mid and South and West Wales Financial Capability Forum	Mid, South and West Wales Financial Capability Forum	FI 28
Barry Williams Administrative Support Officer	Welsh Local Government Association	FI 29
Carl Sargeant, Minister for Social Justice and Local Government	Welsh Government	FI 30
Steven Hay, Operational Manager (Consumer Services)	Illegal Money Lending Project	FI 31
Rod Mckee, Head of Financial Capability	ifs School of Finance Note of Members visit to Garnlydan Information Shop Note of Members visit to Bryn Gwalia School Note of Members visit to Ysgol Y Berwyn Additional information from the Minister for Children, Education and Lifelong Learning Note of Members visit to Swansea Citizens Advice Bureau	FI 32 AWE 03 AWE 04 AWE 05 AWE 08 AWE 09