



Consultation response

**National Assembly for
Wales**

**Consultation on a
proposed Financial
Education and
Inclusion (Wales) Bill**

March 2014

from the Money Advice Service

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About us

The Money Advice Service is a UK-wide, independent service set up by government to improve people's financial well-being. Our free and impartial money advice is available online, and by phone, web-chat or face to face with one of our Money Advisers. We also work with the debt advice sector to improve the quality, consistency and availability of debt advice.

Our core statutory objectives, as set out in the Financial Services Act 2012, are to enhance the understanding and knowledge of members of the public about financial matters (including the UK financial system), and to enhance the ability of members of the public to manage their own financial affairs. We work closely with others to achieve this. The Money Advice Service is paid for by a statutory levy on the financial services industry, raised through the Financial Conduct Authority.

We are responding to this consultation in light of our statutory role to improve people's understanding and knowledge of financial matters and to improve people's ability to manage their own financial affairs.

We welcome the opportunity to respond to this consultation.

Executive summary

The Money Advice Service recognises that schools have an important role in the teaching of financial education to children and young people, but they are one part of the wider solution.

Research has confirmed that attitudes to money are formed early and that interventions within a broader family framework can influence the desired long-term behaviour change.

There is a potential cumulative impact of financial capability interventions during childhood and adolescence – financial capability is a journey, children should be targeted initially when they're young prior to becoming consumers.

There continues to be a lack of evidence of what works and what doesn't but there are a few consistent messages:

- Our relationship with money can be in place by the age of seven (and starts from three)
- Parents are the single biggest influence in creating it
- Simple messages repeated from multiple sources work best
- If skills and knowledge aren't used within a couple of years, they are lost

In order to improve the evidence base around what kinds of programmes are most effective in increasing financial capability for different groups of young people greater quality and consistency in evaluation activity is required.

We suggest that financial capability is considered as a part of the parenting programmes for the Welsh Government's Flying Start Programme and incorporated into the Families First Initiative.

Response

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The Money Advice Service undertook in 2012 a strategic review¹ of the educational interventions of the financial services industry, to inform and improve the provision of financial education for young people in the UK.

Key insights from the research were that:

- attitudes to money are formed early and interventions within a broader family framework can influence desired long-term behaviour;
- community agencies have a vital role to play in shaping long-term behaviour; and
- measurement is crucial to demonstrate impact and refine delivery of educational interventions.

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¹https://www.moneyadviceservice.org.uk/files/research_jun12_impactreviewoffinancialeducationforyoungpeople.pdf

Interventions work best when:

- Linked to a wider strategy aimed at changing behaviours rather than a series of interventions designed, delivered and evaluated in isolation
- Tailored to the needs of specific groups or individuals, rather than a generalised 'catch-all'
- Targeted to those most in need, resulting in greater impact and less wastage
- Take note of the range of socio-demographic factors which will influence attitudes and behaviours
- Placed in a context of personal impact to the individual
- Recognise the drivers of 'bad' behaviours and provide a reasonable exchange with 'good' behaviours
- They are designed from the insight of previous interventions

In order to improve the evidence base around what kinds of programmes are most effective in increasing financial capability for different groups of young people greater quality and consistency in evaluation activity is required. As part of its work co-ordinating the development of the new Strategy for financial capability for the UK, the Money Advice Service is producing a common evaluation that will give providers of financial education and advice the clear guidance and practical tools they need to conduct impact evaluations.

The aims of this framework are that it:

- Is co-developed and flexible for use with a variety of different types of interventions;
- Involves a suite of easy-to-use practical tools;
- Increases the quality and scale of evaluation whilst reducing the burden on individual schools and organisations to produce their own evaluation tools;
- Further embeds the shift from measuring outputs to impact, and develops a shared language in which to talk about impact;
- Enables greater comparability of evaluation results, increases our understanding of 'what works' and ultimately increases the effectiveness of financial capability programmes in schools and in the wider community.

1. What are your views on making financial education a statutory part of the curriculum (from Key Stage 2 onwards), in a similar way to personal and social education (PSE) and work-related education?

As pointed out in the consultation document, financial education is embedded into Maths, PSE and Careers education in the curriculum. More recently, money has been included into the Numeracy Framework and stated outcomes are required against each year group. As this has only recently been introduced, there has been no evaluation by Welsh Government as to whether this will ensure consistent teaching of financial education in Wales.

Once evaluation has been done and if for some reason financial education is still not consistent in schools, then it may be prudent to revisit a legislative solution, however, it may be appropriate to ensure evaluation of the current framework in the first instance.

The National Support Programme for the Literacy and Numeracy Framework will provide training to teachers on delivering the framework. The Money strand of the numeracy framework will need to be given equal weight to the other strands in order for a consistent understanding for teachers across Wales.

Schools and colleges have a unique opportunity to instil positive attitudes towards finance at an early age and to reach all sections of society, including many individuals who may later become far harder to reach. Delivering financial education across the curriculum can:

- provide relevant, challenging and engaging learning opportunities for all learners to link learning to life outside school
- develop learners' problem-solving skills in a real-life context
- encourage learners to make connections between different subjects in the curriculum
- encourage transference of skills and develop literacy and numeracy skills

In May 2013 the Money Advice Service (the service) published 'Habit Formation and Learning in Young Children'², a literature review of over 100 studies of habit formation in the young. From this we learned that habits start around the age of three and are generally formed by the age of seven. This research indicates that the years up to fifteen may also be a key period in the forming of financial behaviours.

It is important to acknowledge that many money habits are in place by the age of seven (the age from which this bill proposes to intervene) and that parents are the primary influence on the development of financial capability. We also believe that like literacy and numeracy, financial capability is inter-generationally transferred from parents to children. This is why it is vital that supporting parents to improve their own financial capability and helping them support their children, forms part of any initiative that seeks to improve the financial capability of Wales. We suggest that financial capability is considered as a part of the parenting programmes for the Welsh Government's Flying Start Programme and incorporated into the Families First Initiative.

The Welsh Government's Flying Start parenting programmes help parents to understand and cope with their children's needs. Through these and general parenting services, parents have access to information and an opportunity to explore how to best nurture their children. Flying Start are also helping parents access adult education and learning resources in the community, encouraging them to explore training, employment or volunteering opportunities. All this, plus a range of drop-in advice and support services, means they have the potential to meet the broad range of parents' needs in regards to improving their own financial capability and thus helping form positive money habits in their children.

² <https://www.moneyadviceservice.org.uk/en/static/habit-formation-and-learning-in-young-children>

Taking a whole family approach such as one like Families First will provide interventions that focus on all of the family, rather than the individuals in isolation, and are a more effective way of improving their outcomes.

2. To what extent should there be increased provision of financial education in schools to better prepare young people for the challenges and financial decisions they face beyond school?

Schools and teachers have an excellent opportunity to teach the skills and knowledge needed to become financially capable. This is both in the form of the developing the right foundations, through literacy and numeracy education, and also through more specific financial education (which is best delivered no more than a couple of years before application). But the role of teachers is not just limited to this; teachers are rarely simply teachers delivering lessons – in many cases they can take on the role of parent or of social worker. Recognising this is important when thinking about the role of financial education in schools. The Service has compelling evidence which shows that those with limited qualifications demonstrate some of the worse financial capability and simply supporting young people to stay in schools is a major way for teachers to help the right attitudes develop.

Schools also have the opportunity to trial different models of intervention and track and evaluate the impact on financial capability over time – they have a captive audience and the ability to identify control groups of students. Trialling different interventions (involving peers, the community, parents, and money experts) and rigorously evaluating them to improve the evidence base and further our understanding of the most effective ways of shaping financial behaviour in young people would be incredibly valuable.

3. In what ways and to what extent are money and financial matters relevant to what young people should be learning at school?

Good financial capability is cultivated through building a strong foundation in skills and knowledge, attitudes and motivations and opportunities. These include factors such as applied numeracy and understanding financial products, but also more generic factors that schools, parents and the community all have a role in developing: self-efficacy, problem solving, managed exposure to risk.

4. If financial education becomes a statutory part of the curriculum, should schools have flexibility in how they follow guidance on its delivery? (This would be similar to PSE and work-related education but different to the way national curriculum subjects are taught.)

We support flexibility in a school's approach in delivering financial education – looking more broadly at school interventions which seek to limit risky behaviour, we understand that they work best when they take into account the specific circumstances of the school involved e.g. truancy rates are strongly correlated with risky behaviour; this understanding can help target specific interventions. We find this is also the case with financial capability interventions – schools need to understand the specific needs of the individual and be tailored accordingly.

Flexibility in approach also opens up a wealth of opportunity for finding out what works and what doesn't. Building the foundations of financial capability is an area where there is little understanding of long term impact, particularly around bridging the knowing – doing gap.

There are seven areas that we believe schools are best placed to do:

- Providing a positive learning environment that supports the development of key non-cognitive factors (self-efficacy - expectations about his or her future performance; self-concept of ability - how an individual feels about his or her past performance; resilience - ability to succeed in the face of challenges; self-regulation - ability to resist short-term impulses in order to prioritise longer-term goals [this is usually fixed by the age of 10])
- Teaching the skills and knowledge needed to be good with your money (applied numeracy, literacy, understanding financial concepts and products)
- Supporting young people to stay in schools. Emerging evidence from new analysis of our Financial Capability Tracker survey data suggests that having no or few educational qualifications is a key predictor of low levels of financial capability.
- Supporting those who cannot turn to their parents
- Trialling and longitudinally evaluating different models of financial education programmes
- Working in partnership with parents to deliver the same key messages
- Developing and supporting a culture which is open about money matters

5. What are your views on the Welsh Government and local education authorities having a statutory duty to ensure financial education is delivered during compulsory education from Key Stage 2 onwards?

Starting at Key Stage 2 to instil money habits is too late according to our research. It is important to recognise that many money habits are in place by the age of seven (the age from which this bill proposes to intervene) and that parents are the primary influence on the development of financial capability. We believe that like literacy and numeracy, financial capability is inter-generationally transferred from parents to children. Emerging evidence from new analysis of our Financial Capability Tracker survey data shows that being a new parent or having dependent children is a predictor of lower levels of financial capability. This is why it is vital that supporting parents to improve their own financial capability and helping them support their children, forms part of any initiative that seeks to improve the financial capability of Wales. We believe Flying Start and Families First could play a key role in this wider support for parents.

7. What are your views on the Welsh Government being required to formally consult relevant stakeholders and experts when developing curriculum content on financial education?

A considerable amount of research has been done to understand what successfully impacts behavioural development and change. Consulting those who specialise in this area would provide the Welsh Government with access to a useful bank of data that could help to inform the development of the curriculum.

Research has shown that cognitive behaviours and self-regulatory abilities are highly teachable. A recent study, (Dignath, Buettner and Langfeldt 2008) focusing specifically on children of primary school age, found consistently positive outcomes from a range of interventions. Typically, these interventions involved encouraging children to reflect upon and talk about their learning. Several techniques of this kind have been investigated and developed, all of which are effective in supporting young children's new knowledge or skill acquisition through guiding their reinforcement of the new learning.

An example of one of the interventions included in the study is that of "co-operative groupwork" where a range of techniques involving children in collaborative activities are used to get them to articulate their own understandings of the intervention/lesson, evaluate their own performance against the objectives of the activity and be reflective about their own learning.

10. What are your views on how this duty should be delivered? For example, should this be a required part of Estyn's role in inspecting schools and local education authorities in Wales?

Sharing of good practice and clear leadership in financial education in schools could very clearly be done by a body such as Estyn as it provides advice on quality and standards in education and training in Wales and makes public good practice based on inspection evidence.

For example, Estyn's 2011 Money Matters report presented seven best practice case studies of approaches taken by schools to develop financial education. It drew on evidence gathered from visits to 20 schools and reports on findings in relation to financial education based on the following:

- learners' financial skills, knowledge and understanding
- planning and delivering financial education
- partnership working
- staff development and resources
- leadership.

Estyn states that most schools teach pupils about finance in personal and social education (PSE) lessons. However, these lessons are not sufficient on their own to make sure that learners have the skills to make sound financial decisions when they are older. In addition, there is a lack of Welsh-language resources for financial education.

Estyn recommended that:

Schools should:

- plan a co-ordinated and progressive programme of financial education activities across the curriculum; and
- monitor and evaluate learners' progress in developing and applying their financial knowledge, skills and understanding.

Local authorities should:

- work with financial institutions to provide better financial education support to schools; and
- encourage schools to share best practice.

The Welsh Assembly Government should:

- develop a regional database of organisations that can support and share good practice with schools and local authorities; and
- continue to support the development of Welsh-language financial education resources.

11. How appropriate or necessary would it be to require universities and further education corporations to provide information to students about where to get advice about financial management?

Higher Education has been undergoing a period of significant change. Funding studies, combined with the current welfare reforms, has created a great deal of uncertainty among students, both prospective and current. Against such a landscape the need for high quality, reliable Information Advice and Guidance (IAG) has never been greater. IAG must be recognised as an integral aspect of financial capability so that the 2 million+ students in the UK can better understand the financial information which is now intrinsic to making an informed choice about their education.

We are developing a national strategy to improve the financial capability of the UK in partnership with stakeholders who support children and young people – Wales is represented through Colleges Wales and also through updates at the regular Wales Forum. On young people, our priority prevention / early intervention groups are: those at risk of becoming over-indebted due to lack of informal / formal financial learning and those at risk of becoming over-indebted due to greater financial challenges e.g. managing a personal budget. We are due to publish for consultation in the Summer and will work with

stakeholders in Wales in the run up to and during this consultation to ensure that it reflects the need in Wales.

13 What are your views on requiring each local authority to have a strategy outlining how it intends to promote financial inclusion and the financial literacy of its residents?

Local Authorities may well find it in their own interests to promote Financial Inclusion as it has an impact on other duties and services. However, whether this should be enshrined in a specific strategy or not is up to them. It is important that Financial Inclusion is part of a local authority's strategic planning, for example as a part of their Single Integrated Plan. This would mainstream the work and ensure it is integrated into the information and advice work of the local authority.

14 What are your views on requiring each local authority's financial inclusion strategy to show how authorities intend to:

- **effectively regulate street trading;**
- **take steps to prohibit cold calling in their area;**
- **engage with credit unions in their area; and**
- **promote financial inclusion when buying goods and services?**

Credit unions are certainly one good option for those who are excluded from mainstream financial products, but they are not the answer alone. Many Credit Unions will be unable to lend to 'high risk' members and other options for affordable and accessible credit for some people will need to be available.

Credit Unions should be included in any networks that may be developed following the Welsh Government's Advice Services Review. This would ensure that Credit Unions are a part of the local information and advice services networks and become an integrated part of support services at a local level (including local support services once Universal Credit has been introduced in Wales).

15 Are there any other things that the strategy should contain in terms of how local authorities promote financial literacy and inclusion?

Local Authorities could be encouraged to embed tools and resources for money management into their own websites (such as the recommendations from the Impacts of Welfare Reforms on the Social Rented Sector Report from the Welsh Government Task and Finish Group). There does not need to be a cost attached to this as syndication to bilingual tools, written content and calculators provided by the Money Advice Service are free of charge and will ensure consistency across the twenty two authorities. For specific information on Wales such as the Discretionary Assistance Fund, local credit unions, and general financial inclusion information links could be made to the MoneyMadeClearWales website, funded by Welsh Government.

22 How appropriate or necessary would it be to require local authorities to provide specific financial management advice to those who were formerly looked-after children?

Research by Consumer Focus Wales in March 2011³, found that many young care leavers are living on low incomes and have to employ a variety of coping strategies to enable them to budget their money. Some had been taught money management skills before leaving local authority care, however most of the young people had to learn the 'hard way' through experience, with several reporting times of financial difficulty as a consequence. The lack of family support available often only serves to compound the problem.

The following recommendations were included in the report which stated that Local authorities should :

- fulfil their statutory duties and provide each young person in care with a pathway plan by their 16th birthday and ensure the financial capability needs of the young person are considered as part of the assessment and planning process
- ensure all young people have received appropriate financial education and support to co-ordinate with any financial assistance they may receive including their leaving care and transition to adulthood grants

25 Are there any other comments that you would wish to make on my proposals, which are not addressed in any of the previous answers?

Within the consultation there are references to payday lenders in regards to the impact on people and statistics from advice agencies.

We are aware that some local authorities in Wales are banning access to websites such as payday loan companies. We would like to note that preventing people from borrowing from legitimate, licensed lenders, could lead people to borrow from more accessible illegal money lenders unless alternative forms of accessible and affordable credit are made available.

On 1 April 2014 the FCA took over the regulation of around 50,000 consumer credit firms from the Office of Fair Trading (OFT). For the high-cost short-term credit (HCSTC) sector additional requirements have been introduced for lending:

- Advertisements for HCSTC must carry a risk warning.
- There will be a limit of two unsuccessful attempts to seek payment using a CPA, which can be reset subject to strict conditions.
- Loans can only be rolled over twice and borrowers must be informed about sources of debt advice before a loan is refinanced.

³ Consumer Focus Wales, March 2011, From care to where? How young people cope financially after care

Since Autumn 2013, the service has worked closely with the FCA to shape a risk warning which from 1 April 2014, all financial promotions for payday loans will include, with a link to the Money Advice Service web site. The risk warning will link customers to a MAS 'payday lending advice tool' to:

- help people **understand the choices** they have
- help customers make the **right choice** for their circumstances
- **change behaviour** so that people think before they borrow and only borrow when they can afford to do so

The tool provides:

- **situation based advice** for people thinking of taking out a payday loan
- advice about **alternatives** to payday loans
- information on **rights** for those having problems repaying a payday loan
- encourages those struggling to pay bills to **contact free debt advice** agencies

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