Listening document

To assist dialogue, with our stakeholders, about our evidence base, priorities and ambitions for the period 2020–2023
Three existing services brought into one

The Financial Claims and Guidance Bill 2018 combined the duties of the Pensions Advisory Service, Pension Wise and the Money Advice Service into a new body, which was named in law as the Single Financial Guidance Body. Additional duties were added to the new body in the Act. Subsequently parliamentary assent was received to give the body the name of the Money and Pensions Service. Follow this link to our 2019/20 business plan.

Pensions guidance function
Through our trained pensions experts, we will help 290,000 people in 2019/20 with their pensions queries.
We will support 205,000 50+ year-olds to make decisions on their defined contribution pension pots.

Debt advice function
We are the biggest funder of free debt advice in England.
In 2019/20 we will continue to work with our delivery partners to drive up the quality of debt advice and provide training and support to advisers on the ground.

Money guidance function
We will provide free, impartial money guidance to millions of people in 2019/20 through moneyadviceservice.org.uk, our call centre, and through webchat.

Consumer protection function
This is a new function supporting the efforts of the wider sector to protect consumers against scams. We will establish this consumer protection function, and begin to gather and share actionable insight on where the sector can best prioritise its efforts.

Strategic function
This function focuses the efforts of everyone working on financial capability, with children and young people, and delivering debt advice.
In 2019/20 we plan to publish a new National Strategy with the goal of driving significant, coordinated change over the longer term, building on the work of the Financial Capability Strategy for the UK.
Contents – and how to use this document

This is a long document, and we don’t expect every reader to need to read it all.

An executive summary is available as a separate document.

Within this detailed document, please access what’s right for you and your organisation by clicking in the interactive table of contents below.

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When I agreed to chair the Single Financial Guidance Body (now known as the Money and Pensions Service), I did so because I believe strongly in the vision of a society where everyone makes the most of their money and pensions. The ability to manage money is central to people’s health and wellbeing; it impacts their ability to fulfil their potential, and to care for their families. A population that can manage their money and pensions well is vital for our economy and for society as a whole.

The Money and Pensions Service must build on the excellent work done by its three legacy organisations. At the same time, we must make a step change in ambition and pace. And we can only succeed in this vital and urgent task with the help of very many other organisations. Indeed, to achieve our vision, we will need to mobilise substantial investment and support from many areas of society, and take a very long-term view. In 2019, I hope we can lay solid foundations for that work, and build urgent momentum around it.

In the autumn, we will publish a National Strategy for Money and Pensions (a working title) and our three-year Corporate Plan. The National Strategy will address all aspects of our statutory remit, and will focus on setting out the partnership goals we believe we can and should achieve by working with you. The timescale to be covered by that National Strategy is an important topic for debate.

The three-year Corporate Plan will set out exactly what the Money and Pensions Service will do to contribute to the National Strategy; how we will organise, encourage and monitor it; and how we will deliver substantial consumer services that should directly impact millions of people. The Plan will cover the period 2020–2023.

This document you are now reading marks the start of an intensive listening process. Over the next few months, we will engage with stakeholders, levy payers and customers across the UK to help us understand how and where we should prioritise our resources, and how we might mobilise and engage others to collaborate with us. This will help shape both our long-term Corporate Plan and the National Strategy for Money and Pensions.

This listening document has three main aims. The first is to set out some of what we already know about the most important money management challenges faced by people across the UK, based on work carried out by our three legacy organisations. The second aim is to explore with you some of our emerging thoughts about possible priorities for the future. The third is to start conversations about how organisations can sign up to support our ambitious agenda, and even more widely raise the profile of financial wellbeing as a vital social concern.

During the listening phase I hope many readers of this document will speak with me and my colleagues, or write in with their views. From July onwards, the Money and Pensions Service Board and Executive will consider all the data, information, views and opportunities, and prepare the final published Corporate Plan and National Strategy.
Why we want to forge new partnerships

We want to partner with all of you because a financially healthy nation will be better for everyone. Many organisations already recognise this and are doing great work. Here are some examples of groups of organisations that we consider to be especially important to create new dialogues and partnerships with during this listening process:

- We believe employers have an important role to play in creating a financially healthy nation, and that this issue affects every employer. Many employees face financial difficulties and carry these with them at work. 23% of employees say they have used a credit card, overdraft or borrowed money to buy food or pay bills because they have run short of money. Unsurprisingly, as a result, 8% have taken time during work to deal with money problems and a quarter of workers say they have lost sleep because of money worries. I want every employer in the UK (regardless of size and sector) to understand the implications this has for productivity. Of course, through company pension schemes and auto-enrolment employers are already a critical link between employees and their future pensions. I believe we can build on this. Supportive links to money guidance and debt advice – often referred to as financial wellbeing – can and should become a standard feature of workplace support. Many progressive organisations are already taking steps to address the financial wellbeing of their employees. So during this listening phase we want to have deep and wide-ranging conversations with forward-thinking employers about the kinds of partnerships we could form, and the tools and support we could provide, to make this change a reality.

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1 23% of those in employment (compared to 17% of all adults) say they are regularly using credit cards, overdrafts or borrowing money to buy food or pay bills because they have run short of money. Financial Capability Survey 2018 – Money Advice Service, 2018

2 Employee financial well-being: why it’s important – CIPD, 2017

3 Working Well: How employers can improve the wellbeing and productivity of their workforce – Social Market Foundation, 2016
We believe **financial services** also have a critically important role to play in creating a financially healthy nation. Financially informed consumers are more likely to take up sophisticated and appropriate financial products, and consumers who lack financial information, knowledge, skills or confidence can create risk and costs to the bottom line. For example, research by the International Longevity Centre UK demonstrated a link between taking advice and saving more, as well as investing in the equity market – not just among the affluent, but among those ‘just getting by’. During this listening phase we will be launching a special report showcasing the best practice of some of the most forward-thinking financial services firms. I will also be pushing the conversation further, into the territory of more referrals to debt advice, more encouragement and support for pensions decisions, more innovative initiatives through our Financial Capability Lab, and many other areas within our remit. Almost every financial action ends up in a transaction, and I believe that by continuing to work with the financial services industry we can bring about millions upon millions of better financial decisions.

We believe **local communities** also have a significant and important part to play in developing a financially healthy nation. Further on in this document we look at the money guidance ecosystem in one town – Swindon – to note just how many organisations are already offering support to help people with their money. But we want to go further – our aspiration is for community leaders and service planners to regard the financial wellbeing of a local community as a matter of vital importance alongside more established concerns, such as physical health and community cohesion. We are planning to allocate significant funding to regional partnership teams, and to support the tens of thousands of frontline money guidance practitioners. During this listening phase we plan to speak with many community leaders about how they can make the most of these opportunities – to identify where both we and you might be able to do more.

So during the listening phase, and in particular with each of the three main groups of organisations highlighted above, I am interested in exploring and pushing the limits of what’s possible, to give us the best chance of making the National Strategy a real success.

**Your views on some important choices**

As we develop the National Strategy and our Corporate Plan, we will have to make some difficult decisions. For example, what balance should the sector strike in our own work between **prevention and remediation**? At present, about 40% of our own budget goes to remediation in the form of debt advice, and there is clearly an urgent need that we must address. But what is the right balance for the future? And what would it mean for you, and your organisation, to make a shift from remediation to prevention?

In order to make the right decisions about the balance between prevention and remediation, we also need to think about trade-offs between short-, medium- and long-term **timeframes**. Should the National Strategy take a very long-term view (say, looking out 15 or 20 years from now), or should it focus only on immediately achievable goals? And when we guide consumers to think about their own money choices, what trade-offs should we encourage them to make between shorter-term and longer-term financial security? As the body charged with providing both pensions guidance and debt advice, we can see that currently consumers are given messages about spending, debt and saving that don’t always fit together neatly in a way that they can understand and digest.

We also want your views to help us consider the balance we should strike between trying to support the **individual** to improve their money management skills, knowledge and motivations – often in spite of the system that surrounds them, including a climate of opinion and received wisdom about money – and how much we should focus on improving the **systems and policies** in which individuals operate, for example to support and nudge them towards better outcomes, regardless of their individual skills or motivations.
And finally, we welcome your expertise in helping us to form challenging, but realistic, short- and long-term goals and measurable outcomes. As a member of the Financial Capability Board, I championed the formulation of five ‘calls to action’ in the key areas of saving, credit use, debt, retirement and the financial education of children and young people. These are set out in more detail on page 84, and earlier chapters of the document draw on the thinking behind them. Should these be the five pillars of our National Strategy? And what is the balance of responsibility for achieving these between our service, and a wider cohort of committed organisations?

I look forward to meeting as many of you as possible as we move around the regions and nations of the UK in the coming months.
Introduction
by John Govett

As the CEO of the Money and Pensions Service I believe it is key that we put the customer at the heart of all we do. We must try to ask the right questions, listen, then embark together to put the shared plans in place.

Our priority is to begin to enlist a very broad coalition of partners to help us address the wide and deep challenges people across the UK are experiencing with managing money, debt and pensions. We want to turn £1 of our own budget into £10 of impact by aligning our work with the interests and activities of others.

So as well as questions set out in individual sections, we set out here some of the big themes on which we seek your views and thoughts in this listening phase.

1. What are the top priorities the Money and Pensions Service should focus on over the next three years?

2. We are required to help those ‘most in need’ and those who are ‘in vulnerable circumstances’. How can we best identify and reach them? What evidence do you have to help us target these groups effectively?

3. For each area of our remit, how should we balance maximising impact with ‘most in need’ and ‘vulnerable’ groups (even if that means reaching fewer people overall), and reaching as many people as possible (even if that means we have less impact on each individual reached)?

4. How should we balance Money and Pensions Service resources between preventing financial difficulties occurring in the first place, and helping people who are in need or crisis right now?

5. How should we facilitate the improvement of quality, efficiency and capacity within the money guidance, financial capability, debt advice, or pensions guidance sectors?

6. What are the most significant gaps for public financial guidance to fill?

7. Do you have any reflections on the current regulatory boundary between guidance and advice? What experience do customers have of this in practice?

8. How can we achieve our target outcomes at scale by working with different sectors (e.g. employers, financial services firms)?

9. How could we maximise funding in the sector and attract new sources of funding?

10. If you are not already involved, what would motivate you or your organisation to support people to make the most of their money or pensions? What is currently stopping you and how can we reduce those barriers?
11. What more could we do to make best use of the different channels through which consumers could access information and guidance about money and pensions?

12. What opportunities are available to address issues around money and pensions in a holistic way now that three organisations have been brought together into one?

I very much look forward to listening and learning over the next few months and working together with all of you to build a strategy that moves the dials for the UK population going forwards. &gt;&gt;&gt;
Why a Money and Pensions Service?

This first chapter of our listening document sets out how we interpret the objectives and functions given to us by Parliament. We link these to what we see as the strategic challenges – both of supply and demand – that make it difficult for people to make the most of their money and pensions. In particular, we consider the importance of information, advice, and guidance. Given our original legal name, guidance is clearly a core role for the Money and Pensions Service. We also look at how we should set the scope for a National Strategy covering financial capability, the provision of financial education to children and young people, and debt advice.
The problem

A significant part of the UK population faces big challenges with money management:

- 9m people are over-indebted.
- 10.7m people don’t save.
- 11.5m people have less than £100 in savings to fall back on.
- 9m people often borrow to buy food or pay for bills.
- 22m people say they don’t know enough to plan for their retirement.
- Millions of pounds are lost by pensioners to pension scams every year.
- There isn’t enough financial education in schools across the UK.

This population-level issue has many causes. But the Money and Pensions Service is here to focus on the causes driven by problems with both supply and demand, in relation to information, guidance and advice.

On the supply side, consumers can’t always get the relevant, good quality, effective information, guidance or advice that they need to help them manage their money, debt and pensions. What is available in a confusing landscape is not always impartial or readily accessible. As just two key examples:

- Retirees need easily-digestible information, guidance and advice to help them navigate unfamiliar, complex, highly technical pensions products.
- Similarly, in relation to debt advice, there is a major challenge to raise the supply, consistency and quality of provision that is currently available on the market.

On the demand side, there are a range of barriers that dampen consumer demand. Consumers often don’t have the motivation to get information, guidance or advice when they need it. They also may not have the knowledge, skills or confidence to use what is available.

As examples of challenges on the demand side:

- Levels of engagement with both money guidance and regulated financial advice are generally too low. Of the 24m people in the Money Advice Service’s two target segments, people sought help with just 41% of life events that had a financial impact.
- A key demand problem with debt advice (which is a regulated financial service) is that a large proportion of people who need advice engage too late in the process. The Review of Debt Advice Funding carried out by Peter Wyman cited Christians Against Poverty, whose research found that 33% of their clients had waited over three years before seeking help, 51% had waited more than two years and 66% had waited over a year. The longer you wait to seek debt advice, the greater your debts, the fewer your options, and the harder it will be to engage with money issues in the round rather than the one pressing question of how to deal with creditors.
- Likewise, pensions guidance aims to build consumers’ confidence and capability to make decisions. But the subject is complex, and the results of decisions only emerge after many years have passed. Many consumers don’t take guidance early enough to ensure they have the widest possible range of options open to them.
- Even if consumers have the motivation, knowledge and skills, they may still be susceptible to behavioural biases. For example, some consumers continue to make minimum repayments on credit cards, behaviour that acts as an anchor, meaning they end up making lower repayments than they can afford.
So a key challenge is to get people to **engage with information, guidance and advice at the right place and the right time**. If people engage earlier, there is a higher chance that they will take better decisions (and that this will result in better outcomes). This is because at an earlier stage their decisions are less likely to be made under the additional pressure of stress caused by a personal financial crisis.

These multiple, urgent issues have led to the creation of the Money and Pensions Service (originally established in law under the name of the Single Financial Guidance Body), with the aim of addressing significant aspects of both sides of the supply and demand equation.

The Money and Pensions Service was therefore set up by the Financial Claims and Guidance Act 2018 (referred to from this point as ‘the Act’) and was given the following objectives and functions.⁵

<table>
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<th>Objectives</th>
<th>Functions</th>
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<td>(a) to improve the ability of members of the public to make informed financial decisions,</td>
<td>(a) the pensions guidance function;</td>
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<tr>
<td>(b) to support the provision of information, guidance and advice in areas where it is lacking,</td>
<td>(b) the debt advice function;</td>
</tr>
<tr>
<td>(c) to secure that information, guidance and advice is provided to members of the public in the clearest and most cost-effective way (including having regard to information provided by other organisations),</td>
<td>(c) the money guidance function;</td>
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<tr>
<td>(d) to ensure that information, guidance and advice is available to those most in need of it (and to allocate its resources accordingly), bearing in mind in particular the needs of people in vulnerable circumstances, and</td>
<td>(d) the consumer protection function [to notify the FCA where it becomes aware of practices carried out by FCA-regulated persons which it considers to be detrimental to consumers, and to consider the effect of unsolicited direct marketing on consumers of financial products and services];</td>
</tr>
<tr>
<td>(e) to work closely with the devolved authorities as regards the provision of information, guidance and advice to members of the public in Scotland, Wales and Northern Ireland.</td>
<td>(e) the strategic function [to develop and coordinate a national strategy to improve the financial capability of members of the public, the ability of members of the public to manage debt, and the provision of financial education to children and young people].</td>
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Defining information, guidance and advice

The Act mentions ‘information, guidance and advice’, but these are easily confused or given different meanings by experts and consumers.

As part of the HM Treasury/FCA Financial Advice Market Review (FAMR), the Financial Advice Working Group devised and tested concise definitions of advice and guidance (see table below).[^6]

<table>
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<th>Guidance</th>
<th>Advice</th>
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<tr>
<td>Guidance is an impartial service which will help you to identify your options and narrow down your choices but will not tell you what to do or which product to buy; the decision is yours.</td>
<td>Advice will recommend a specific product or course of action for you to take given your circumstances and financial goals. This will be personal to you, based on information you provide.</td>
</tr>
<tr>
<td>Providers of guidance are responsible for the accuracy and quality of the information they provide but not for any decision made based on it.</td>
<td>Advice will be provided by a qualified and regulated individual or online by a regulated organisation.</td>
</tr>
<tr>
<td>Guidance is free unless your provider clearly tells you otherwise.</td>
<td>Providers of advice are responsible and liable for the accuracy, quality and suitability of the recommendation that they make and you are protected by law.</td>
</tr>
<tr>
<td>It will suggest what you could do.</td>
<td>You will usually pay a fee for advice. Fees will be disclosed before you are asked to commit yourself.</td>
</tr>
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[^6]: FAWG, Consumer Explanations of Advice and Guidance

A key element of regulated financial advice is that it includes a personal recommendation. No form of guidance can do this. The diagram below shows the idea of a ‘boundary’ between advice and guidance. Our view is that guidance covers a wide spectrum of activities, including the provision of information.

Guidance can help customers understand their options, increase their active control over their money and pensions, and help people make decisions that are right for them. Many financial decisions do not require a personal recommendation, or a comprehensive view of an individual’s financial life, to be enabling and transformative. As such, public financial guidance should not be considered a substitute for paid-for advice. It fulfils different needs and can help consumers to engage in high-quality dialogue with product providers, or providers of regulated advice.
Supply: offering the debt advice and guidance that consumers need

In relation to supply, the Money and Pensions Service will fulfil its statutory remit by providing:

- regulated debt advice in England (commissioned out to delivery partners); and
- guidance on debt, pensions and money.

As noted above, guidance covers many services to consumers, including:

- technical information about products;
- how-to guides on managing financial aspects of life events;
- self-service online tools;
- contact centre or face-to-face appointments; and
- targeted interventions to deal with acute need, guiding customers into public or welfare services or to regulated debt advice.

It is therefore a spectrum, stretching from provision of information on a website, to tailored support right up to the regulatory boundary. This spectrum is illustrated in the diagram below, which also shows how the regulated debt advice funded by the Money and Pensions Service takes one of our functions to the other side of the regulatory boundary.

Since money and pensions guidance stretches across such a wide spectrum, it will be necessary for the Money and Pensions Service to make strategic choices about where within that spectrum it will deliver services. We are therefore proposing to focus our guidance offer in two key areas:

- Addressing specific market failures. Part of the unique role of public financial guidance is to provide help for consumers where markets fail to deliver impartial, accessible, high quality and effective help for people to make critical financial decisions. For example, when the government consulted on delivery arrangements to ensure that everyone with a defined contribution pension pot could access free and impartial guidance, there was a clear consensus that only independent organisations without conflicts of interest should deliver that guidance, and also that guidance of that kind did not then exist. So our offers to help people with pension freedoms and pensions guidance, fit at one end of the money guidance spectrum: helping consumers with information that is tailored to their individual circumstances, but without a personal recommendation.
Filling information gaps. We should provide information where there is an absence of any publicly available accurate information on a financial subject. This could be for a new or evolving issue (e.g. sharing personal data online). Or it might be where we need to support regulators to deliver timely and effective support that helps consumers navigate an issue. One particular area of focus is scams, where we will make consumers aware of risks as they arise (as well as alerting and working with regulators).

We therefore propose the Money and Pensions Service's own guidance offer should not seek to be exhaustive. We propose to refer to and highlight existing impartial and whole-of-market information and guidance (e.g. relevant sections of the gov.uk website or Which?), and commission or partner with organisations to increase the effectiveness of existing high-quality guidance in order to reach consumers who need it most. Where appropriate and helpful for customer journeys, we may actively withdraw from areas of money guidance, particularly if it duplicates existing, accessible and high-quality guidance. (As the next chapter shows, a wide range of organisations are providing guidance and information to consumers).

We have inherited multiple digital and telephone services from the organisations that preceded us. We therefore face some choices about how to combine these under our new brand, and whether during this process any of them should be made smaller (or larger) in scope. The chapter later in this document, looking at our priorities for bringing together our direct services, gives some commentary on these choices and invites your views.

Needs, vulnerability and equality

Addressing market failures and gaps in the delivery of information, guidance and advice allows us to focus our work, but we also need to consider who we should help, and how we therefore prioritise.

The Act establishing the Money and Pensions Service creates a new and explicit obligation for us to ‘ensure that information, guidance and advice is available to those most in need of it (and to allocate its resources accordingly), bearing in mind in particular the needs of people in vulnerable circumstances’. The 2015 FCA occasional paper on vulnerability gave a useful definition of such consumers as: ‘Someone who, due to their personal circumstances, is especially susceptible to detriment, particularly when a firm is not acting with appropriate levels of care.’

The 2017 FCA study ‘Understanding the Financial Lives of UK adults’ identified that 50% of UK consumers (25.6 million) currently show one or more characteristics of potential vulnerability derived from the 2015 definition. This does not mean all people with these characteristics will suffer harm. It means either that they are at increased risk of harm, or would suffer disproportionately, if harm occurred. The FCA study goes on to set out the characteristics of those who may suffer disproportionately in this way as falling into four areas of: health, resilience, life events and financial capability.

We propose taking this definition as the starting point. Vulnerable circumstances in relation to managing money or pensions should be seen as arising from one or a combination of:

- someone's individual characteristics, such as having a limiting health or mental health condition;
- their particular circumstances at a certain point in their life, such as after a bereavement, and
- the behaviour of the organisation that they are dealing with, for example failing to adjust a service by communicating with a consumer according to their preference when they have a particular disability.

We believe that low levels of financial capability can both result from someone's vulnerable circumstances, such as low levels of numeracy or digital ability, and in itself be an aspect of vulnerability, by making someone susceptible to detriment in relation to managing their money or pension arrangements.

This proposed understanding of consumers in vulnerable circumstances will underpin our work so that we will review our services and strategies to ensure that they can effectively reach, and enable others to reach, those consumers in vulnerable circumstances.

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8 A separate Act, which applies to all public sector bodies, requires us to pay due regard to the particular needs of people with protected characteristics. Although there are overlaps with vulnerability, most protected characteristics are more permanent or long-term, and so are theoretically easier to identify. But some, such as sexuality or religion, are highly personal and not always easily mixed with the emotive topic of money. Protected characteristics often map onto characteristics associated with vulnerability, but not always, and not as an exact fit.
We will identify the particular needs of those consumers and work to address the barriers to them accessing support.

When considering the interaction of vulnerability, financial resilience and capability, our greatest challenge will come from those individuals and families with persistent low income that fails to meet their essential needs. Whilst our support for those in debt will play a valuable role, and our guidance offer can ensure that we provide accessible tools and suggestions to reduce household costs, the role of addressing entrenched poverty is one of social policy beyond our remit. Supporting financial capability and resilience has a role to play in tackling poverty, but it would be disingenuous to suggest that poverty can be addressed in full by supporting consumers to make better decisions about managing money.

In developing our services and propositions to meet the needs of consumers, the Public Sector Equality Duty also requires the Money and Pensions Service to have due regard to the need to eliminate discrimination for those with relevant protected characteristics. During this listening process, we are therefore interested to learn as much as we can about any distinct money, debt and pensions needs of these groups. We therefore actively invite organisations expert in understanding the needs of these groups to respond to us with data and evidence during the listening phase, and we will be reaching out to groups and campaigners to hear their views.

Our thinking about due regard involves a three-step process.

1. **Discovering** what is known about a group with protected characteristics (and their finances) – at the population level

2. **Understanding** how a group with protected characteristics needs and uses our services

3. **Exercising due regard**: making decisions about what should (or shouldn’t) change in our service design

The foundation step (1), is to understand from general sources what is known about the group and their financial needs, as compared to the general UK population. The second step is to understand how the group needs and uses our services. The third and final step is to take decisions, based on what we have understood from steps 1 and 2, as to whether we need to change our services to remove any barriers to access or impact for people with the protected characteristics. The learning we agree then needs to be designed into ongoing decision making in the Money and Pensions Service.

This is a complex journey of data gathering and analysis and we do not expect to complete such a journey by the time we publish our three-year Corporate Plan later this year. But in it we will set out a detailed plan of how we intend to achieve what is needed.
Demand: how we will work to improve consumer knowledge, skills and motivations

Simply raising awareness or providing information in an accessible manner will not deliver the change we want to see. Consumers need to be engaged with the issues before stress and pressure make decision-making even harder.

The Act therefore requires the Money and Pensions Service 'to develop and coordinate a national strategy to improve the financial capability of members of the public, the ability of members of the public to manage debt, and the provision of financial education to children and young people.'

What is financial capability?

Financial capability is the ability to manage money well – both day-to-day and through significant life events. It is a combination of behaviours, attitudes, skills and knowledge.

Financial capability is a key driver of consumers’ financial wellbeing – that is the ability to meet all current commitments, without undue stress, and the resilience to cope with future income or expenditure shocks.

Financial capability is influenced by laws, systems and processes, and the structure and availability of financial products. To improve the nation’s financial capability must involve improving the environment in which people are able to make choices about money, and making changes to the rules and norms they encounter.

Financial capability can improve people’s wellbeing, and it can also contribute to making society as a whole wealthier, more productive, but also healthier and happier – it has very wide social implications. It is too big an issue for any single organisation to tackle on its own. It needs a broad-based, inclusive approach bringing together everyone interested in improving financial capability, including Government, financial services, charities and many others.

Developing and coordinating this National Strategy is critical because, without better levels of financial capability, our money and pensions guidance and debt advice offer will be:

- used less than it could be; or
- used by people acting too late, when they have fewer choices; or
- used more by the ‘worried well’, who have relatively mild money challenges, but the time and motivation to explore guidance.

The Act recognises that financial capability is a big complex challenge that can only be addressed effectively if we are able to mobilise a very wide range of organisations to play their part. The Money and Pensions Service is not the right organisation, and does not have the resources, to do all that is needed to address the issue of financial capability. The Act requires it to persuade others to play their part.

Financial capability is a life-long issue. The mention of children and young people in the Act is important. Although they do not yet access the full range of consumer financial services, their knowledge, skills and attitudes towards money are formed at a very early age, and so helping them form the right ones could have a life-long effect, and may have a preventative effect.
Information, guidance and advice and the National Strategy

The objective set out in the Act ‘to develop and coordinate a national strategy’ is demand-driven. That is to say – its primary goal is to empower consumers to access help when they need it, by improving their motivations, knowledge, skills, behaviour and engagement.

At the same time, as the organisation accountable and responsible for delivering the National Strategy, we also have significant supply-side levers within our control because we will fund some of the major pillars of guidance, and debt advice.

So what is the strategic relationship between our duties for supply (relating to the provision of information, guidance and advice) and for demand (relating to the skills and motivations of consumers)?

Our proposed approach is to integrate thinking about (and initiatives relating to) the provision of information, guidance and advice, all within one ‘National Strategy for Money and Pensions’.
Across the UK, guidance on money topics is already offered by a wide range of organisations, alongside support to build knowledge, skills and motivations. Guidance and information is provided through face-to-face services, online information and tools, helplines, and as one element of wider support services addressing other life events. This chapter sets out an overview of what is available, and our thoughts about the role a guidance body can play in this broader system.

Note that this chapter only focuses on money guidance. Many debt advice organisations exist without providing money guidance, and many others do provide it. In addition to what is set out in this chapter, we already have a much more detailed picture of debt advice provision across the UK.
The UK-wide guidance landscape

This is a graphical summary of which types of money guidance is available from national-level providers, aimed at different life stages, target groups, and covering different financial topics. The outermost ring also gives an approximate view of how much is available on each topic by channel.

Key
- Life stage
- Provider’s target group
- Topics

Case study
Comparison sites

Money guidance, tools and calculators are available on commercial comparison sites. 'Best buy' and comparison tables that help customers reduce outgoings (and generate income for the site) sit alongside product-based guidance, FAQs, hints and tips. They also offer life-event guidance such as 'moving costs', 'money for parents'. Some sites also have active online communities sharing money tips through forums and social media.

Case study
Retail banks and building societies

Banks and building societies provide guidance to their customers, with many offering support online, on the phone and through their branch network. Online guidance targets life-events (facing redundancy) or is product-based (mortgage calculator tools, guides explaining different product options). Support is also in-branch and on the phone. For those with financial difficulties dedicated teams and referral arrangements are in place, and promoted on statements.

Source: updated, based on data from Study on access to comprehensive financial guidance for consumers – The European Commission Financial Services User Group, 2016

Who is providing guidance?

33% for-profit
67% not-for-profit
An analysis of access to financial guidance across the world concluded that the UK had one of the more widespread and/or extensive provisions of financial guidance. It set out the highlights of money guidance available at the national level as follows:

- non-governmental public bodies, including the Money and Pensions Service’s three legacy organisations and the Consumer Council for Northern Ireland;
- government website information on tax, benefits etc on GOV.UK;
- not-for-profit national providers, including those who offer financial guidance to the general population (such as Citizen’s Advice or Which?), and those focused on particular areas of need (such as Macmillan for cancer patients and their families);
- not-for-profit local providers (such as local advice centres or local credit unions);
- commercial providers including banks, Money Saving Expert or commercial switching sites; and
- Independent Financial Advisers (IFAs), some of whom offer pro bono money guidance as well as regulated financial advice.

Local guidance provision

However, the national guidance picture is complemented by not just the local branches of national organisations, but many local organisations that only operate in one area. In fact, the picture is so rich and complex that it would be quite impossible for us to capture what’s happening in every town and village in the UK. To help us consider this local picture during our listening phase, we decided to make a very detailed map of guidance provision in Swindon, Wiltshire. We chose Swindon because it is the place in the UK whose statistics most closely resemble averages across the UK. This approach obviously has significant limitations, but it does provide a valuable illustration of the kind of services that are available to help people. Our research shows the richness and diversity of providers at this local level, including: financial services firms offering guidance as part of a sales journey; faith groups helping people access financial and other services; and charities supporting people through financial decisions as part of assisting them through illness or other negative life events.

From this and other research into guidance and advice we know that there is a bewildering diversity of local supply, and yet consumers are not clear on where to go for accurate, impartial guidance. The quality and availability of local services varies, and even where guidance is available, some of the people who need it most are the ones who don’t engage.

The national and local guidance provision pictures set out above lead us to this view: many touchpoints exist that could empower people to manage their money better through the public, private and voluntary sectors, at the national and local level. If we can support organisations to make their work more coordinated, more aligned, and offer help with continuous improvement and innovation, even more could be done, and the system would become easier to navigate. During the listening phase, we intend to speak to community leaders in many locations across the UK, and articulate the view that people managing their money well is an essential part of a thriving local community.

We also believe that if financial services and employers are encouraged and motivated to do more, and work alongside these local and national networks, we will have some of the most important ingredients in place for a successful National Strategy.

We also need to consider how our consumer protection function can enhance, rather than duplicate, the good work being done by Action Fraud, banks, the FCA and others to ensure that anti-scam warnings and other consumer protection messages are channelled through trusted organisations in communities across the land.

10 Study on access to comprehensive financial guidance for consumers – The European Commission Financial Services User Group, 2016
11 A full research summary of this work in Swindon is available on request from listening@maps.org.uk
Money guidance in Swindon

Based on internet, telephone and face-to-face research carried out in Swindon in January 2019. The research criterion was to find organisations that published a clear offer of money guidance, as opposed to regulated financial or debt advice – likely to under-estimate, rather than over-estimate, the extent of guidance available in practice.

Case study
University and colleges
Financial guidance for students covered specific aspects of student finance (bursaries, learner support funds, childcare, free college meals) as well as more generic support about day-to-day spending and facing financial difficulties. Three of the seven universities and colleges researched in Swindon provided guidance. Information was available online as well as face-to-face and phone through student support and wellbeing centres. Some linked financial guidance with other support services such as their ‘employment zone’.

Case study
Housing associations
Many of the social landlords providing homes in the Swindon area provide guidance and money management support for their residents. One of the providers researched provided online guidance related to the financial aspects of the tenancy. It included, information and checklists to support people moving into their homes, information on benefits and Universal Credit, information and choices on ways to pay rent, and signposting to other guidance services. The housing association also have local income teams, available by phone and email, to provide support to residents facing financial difficulties.

Case study
Family law firms
13 of the 22 family law firms in Swindon researched provided some form of financial guidance. Focused on the financial aspects of divorce and separation the support is linked to the legal services the firms specialise in. Initial consultations may be free but further support requires customers to enter a commercial relationship with the firm. Guidance could be sought by phone, face to face or in some instances by email, and some made guidance available online (including tools and calculators). None of the firms provided support on day-to-day aspects of money management.
A selection of printed materials providing financial guidance gathered during our research into guidance provision in Swindon shows the diversity of free information available from many different providers.
Steps to enhance local provision

We think the Money and Pensions Service should build capacity in, and work with, local and regional networks of guidance and support. We propose this as the best way to maximise the value of investment in public financial guidance, avoid duplication and ensure better reach and engagement with consumers who most need help. We propose these approaches.

- A regional team will work with employers and other local organisations to develop new partnerships that will engage people who don’t yet seek guidance, smarter referrals between services and co-commissioning approaches to drive better outcomes across money management, debt and pensions.

- The range of frontline professionals working with consumers in vulnerable circumstances who provide some form of money guidance and support goes far beyond the money guidance sector. They include welfare support staff, housing support staff and others who often don’t recognise themselves as giving guidance, and rarely have money guidance qualifications but are a critical resource to reach consumers when they need such guidance most. We will continue and enlarge a programme to raise the quality, consistency and profile of money guidance support through a competency framework, training and building a community of practitioners. We are seeking views on the draft competency framework that is central to this programme during the Money and Pensions Service’s listening phase. We welcome input and comments from people who are, or work with, frontline practitioners. See Annex 1 of this document for more information about this work.

- We will begin to implement commissioning approaches to develop working-age financial capability and financial education for children and young people. These are intended to pilot and then grow ways of changing systems. This includes working directly with local organisations, and bringing together local support agencies, community groups, financial service providers and employers. Because these organisations already have a local footprint and local credibility, supporting them will build capacity to reach people who don’t yet seek guidance. They will develop new ways of working together to achieve shared outcomes in a small number of local areas. Later chapters of this publication explore how we might do this.

Questions for the Listening phase

13. How would you characterise your local area – what does the landscape look like, what are the challenges and opportunities?

14. What are the priority gaps in consumer protection that the Money and Pensions Service is uniquely placed to fill?
Our evidence base and priorities for different needs and life stages
How we have summarised the ‘system’ for each life stage

1. At the heart of everything is the individual:
   - What capabilities do they need to develop?
   - What outcomes do we want to see as a result of their improved financial capability?

   **We must target specific life stages/groups to achieve the outcomes we want to see:**
   - Life stages include having a child, starting a new job, buying a home, divorce, bereavement, redundancy, retirement
   - Target groups include families, ‘financially struggling’/‘squeezed’ segments, vulnerable consumers such as those with mental ill health.

2. People interact with organisations through a variety of channels and touchpoints:
   - Channels include F2F, contact centre, online
   - Touchpoints cover interactions with organisations providing information and those providing/facilitating transactions
   - Relevant organisations include financial services firms, employers, trade unions, practitioners, local authorities, essential services such as utilities, social care providers, legal firms, health care providers, charities, faith groups, local community organisations, regulated financial advisers etc.

3. Diverse landscape of funders includes:
   - Financial services firms
   - Commercial organisations
   - Government departments/agencies
   - Local government
   - CSR functions
   - Third sector and foundations
   - Money and Pensions Service.

4. The broader context in which change happens is affected by:
   - **Policy and regulation** from a patchwork of Government depts/agencies/regulators (incl. DWP, HMT, FCA, PRA, HMRC, TPR, DoE)
   - **Socio-economic factors** (incl. low income, UC, well-being and health issues)
   - **Media and social community influences** (incl. social campaigns, youth and faith groups, consumer behaviours and biases)
   - **Research and evaluation** (incl. knowledge of what works, actionable insights, trials and pilots)
   - **Sector networks** to encourage knowledge sharing, partnerships and collaboration.
Our evidence base and priorities for children and young people

We have a good, albeit not perfect, understanding of the landscape in which children and young people’s financial capability could be improved. There are a relatively small number of organisations operating at scale, and while there are challenges, like the variation in how education systems are organised across the four nations of the UK, it represents a visible target for our work. We set out in this section what we believe is a firm understanding of the problem and of the outcomes we want to see, and we identify strategically scalable solutions. We believe that the role of parents is critical. MAS’s children and young people commissioning plan has proposed a comprehensive approach in homes, schools and community settings that the Money and Pensions Service can directly adopt. But it will still require us to greatly leverage our investment – turning £1 spent by the Money and Pensions Service into £10 of impact from the sector. By autumn 2019 we hope to have a clear view of the appropriate budget for this area of our work, based on your feedback during the listening phase.
The outcomes we want to see

We propose that the vision for our work on children and young people should be to ensure all children and young people receive a meaningful financial education, and as a result, become adults able to make informed financial decisions and achieve their goals. Experiences and learning in childhood and adolescence are important influences on financial capability later in life, so progress towards this vision is an important part of increasing the financial capability of the UK population as a whole.\(^\text{12}\)

- We know currently 52% of 7- to 17-year-olds receive some key elements of financial education that are strongly linked to good financial capability, either at school or home. We propose that by 2025, at least 75% of 7- to 17-year-olds should receive this level of financial education.

- As a stepping stone towards that longer-term goal, we propose that our three-year Corporate Plan focus on two high-level outcomes:
  - at least 60% of 7- to 17-year-olds receive the key elements of financial education in a setting that meets their needs
  - we have improved knowledge of, and solutions for, delivering financial education both in early years and at the point of transition to work.

We propose to develop targets to track changes towards our high-level outcomes with the sector in 2019/20.

Overleaf is a graphical representation of the system we are seeking to influence to achieve this vision.
There is a complex policy landscape across UK nations.

There is insufficient funding and delivery to meet need.

There is room for improvement in children’s money management.

Children and young people

Proposed key outcomes
- Increase proportion of children and young people who have received key elements of financial education at home or school from 52% to 60% (March 2023) and 75% (2025)

Long-term outcomes
- All children and young people receive meaningful financial education
- All children and young people become financially capable adults

Who needs to change and who is a target for change?

Home
- 28% of 7-17s receive key elements of financial education at home

School
- 53% of 7-17s have received financial education they say ‘useful’

Community
- 28% of 7-17s receive key elements of financial education at home

Money and Pensions Service
- £2m

Financial services
- £6.3m

Philanthropy/Lottery/Charities
- £1m

Government agencies
- £4m

Corporates
- £1.8m

Philanthropy/Lottery/Charities
- £1m

Other priorities compete with financial education

Too few children and young people receive financial education

Important evidence gaps remain

Greater scope of research and evaluation

Sector networks

Greater scope of research and evaluation

Who and what are the external influences?

Government agencies
- £4m

Philanthropy/Lottery/Charities
- £1m

Who could enable the change?

Philanthropy/Lottery/Charities
- £1m

Media and social influencers

Corporates
- £1.8m

Money and Pensions Service
- £2m

Philanthropy/Lottery/Charities
- £1m

Philanthropy/Lottery/Charities
- £1m

Greater scope of research and evaluation

Who and what are the possible prompts for change?
What we know about the problem

There is room for improvement in children’s money management.\textsuperscript{13}

There are significant weaknesses in the financial capability of many children and young people in the UK:

- Only 4 in 10 children save regularly;
- Nearly 1 in 5 young people aged 16 to 17 don’t have a bank account; and
- 6 in 10 16-17 year olds can’t read a payslip correctly.

Too few children and young people receive financial education

Only 40% of 7- to 17-year olds in the UK report that they’ve learned to manage money at school\textsuperscript{14}, yet 90% of those who have, say they found it useful.

Just 28% of children and young people live in homes where their parents give them regular money, set rules about money, and give them some responsibility for spending decisions (the three activities most strongly associated with better financial capability).\textsuperscript{15}

Only 52% of children have either received financial education in school they say was useful, or live in homes where their parents do the activities listed above – and just 11% say yes to both.\textsuperscript{16}

There is insufficient funding and delivery to meet need

Based on provision mapping, interventions reach less than a quarter of children and young people every year. Financial education doesn’t always reach children who could benefit most – relatively little is available for under 7s, yet we know ages 3 to 7 are vital in children’s financial capability development. Of provision we mapped, only 4% reaches children with additional needs, and very few interventions target children and young people with those protected equality characteristics that are linked to lower financial capability – such as disability.

Total funding on financial education is estimated at around £18m annually. While funding comes from relatively diverse sources\textsuperscript{17}, contributions from all sectors remain patchy.

Other priorities compete with financial education

We must continue to build a powerful business case for financial education, demonstrating impact and linking it to outcomes society values (such as attainment, wellbeing, and employment).

Prioritisation and difficult choices about resource allocation will inevitably be required. At the same time, any increased funding and activity from the Money and Pensions Service should not mean other funders reducing investment. If overall funding reduces, it will not be possible to ensure all children and young people receive a meaningful financial education.

There is a complex policy landscape across UK nations

The devolved nature of policy and delivery of education and children’s services means that activities have to be tailored four times, by engaging with four sets of policymakers, and many different providers and funders. No initiative can be rolled out in the same way across the UK, and no single department can unlock all solutions.

While policymakers in all nations are engaged to some extent, many financial education policy gaps remain. For example, financial education is absent from the primary school curriculum in England; and financial education is not prioritised in assessment, inspections, teacher training, parenting support, or youth programmes across UK nations. Nevertheless, even without these policy enablers being in place, we believe that progress can still be made.

Market capacity is a short-term challenge

The financial education sector is still fairly small. While some organisations deliver to relatively large numbers of children and young people, only four interventions reach over 100,000 children and young people a year, and only 19 reach over 10,000 a year. Some areas of financial education, such as support for parents to teach children about money, are so under-served that there are very few active providers, and this will need to change in future years.

\textsuperscript{13} The Financial Capability of Children and Young People and their Parents in the UK – MAS, 2016

\textsuperscript{14} The figures vary across nations – Northern Ireland 57%, Scotland 46%, Wales 35%.

\textsuperscript{15} Again, there are different figures in each nation: NI 24%, Wales 27%, England 28%, Scotland 31%

\textsuperscript{16} 52% overall for the UK comprised of: Wales 48%, England 52%, NI 56%, Scotland 58%. There is also some variation by income – children and young people in low income households tend to have a lower baseline compared to high income (49% vs 55%). This is particularly pronounced in the parent element of the baseline (24% vs 32%)

\textsuperscript{17} Financial services contribute the greatest amount of funding of any sector, though contributions from firms range from a few thousand pounds to seven figure sums each year. National and local government agencies (including the Money Advice Service’s 2018/19 funding) are also major contributors, especially of financial education for more vulnerable children and young people where funding from not-for-profit organisations far outstrips financial services’ contribution. Other funding sources include profit-making financial education businesses, philanthropy, and large charities.
Important evidence gaps remain

We propose significant levels of evaluation funding and research to test ongoing effectiveness and efficiency of solutions. In particular, we would like to understand more about the needs of particular groups of children and young people\(^\text{18}\); financial benefits of investing in financial capability; long-term behavioural impacts in adulthood; and the comparative impact of different approaches targeting the same outcomes.

A strong and evolving evidence base is needed, both to deliver effective financial education, and to grow the funding sources that support it.

What we know about solutions

Evidence gathered from evaluations (including MAS’s What Works Fund), and discussions with stakeholders\(^\text{19}\) have identified successful approaches to help improve children’s financial capability.

Work with parents, who have a vital role to play

Children who do better on financial capability tend to receive regular money (regardless of the amount – this is directly linked to financial behaviour), and have responsibility for saving and spending decisions. Their parents typically set rules about money (also directly linked to financial behaviour); believe it’s important to teach children about money early; are confident talking to their children about money; and often show their children how to complete money-related tasks (such as how to check a bank balance).\(^\text{20}\)

Evidence from the UK and beyond suggests interventions can be effective in supporting parents to teach their children about money. They also open up the possibility of achieving a double-generational impact – improving financial capability outcomes for both children and young people, and their parents. The family learning strategies in devolved nations are a valuable example.

Use teachable moments

Age-appropriate learning is key to improving children and young people’s financial capability, starting in the very earliest years and continuing through childhood and adolescence, and focusing on ‘teachable moments’ relevant to real-life decisions or transitions children are making at that time.

Be just in time

Evidence of effective financial education interventions suggests that learning through real-life experience and reflection on that experience, and ‘just in time’ education for young people before they embark on financial independence, are especially worthwhile. Interesting delivery opportunities on this theme include: large-scale youth programmes; access of young people to Child Trust Funds from 2020; and education departments’ interest in ensuring young people enter adulthood prepared for independence.

Start early

Research on children’s development of financial capability suggests that starting early, from the age of three and certainly before age seven, is key. Because so little is being done in this area, we believe that we should particularly focus resources on identifying and filling gaps in provision for under 7s.

Give opportunities to manage money in school

Children who say they’ve learned to manage money in school tend to do better on some measures of financial capability (although parenting influences can be more important).\(^\text{21}\)

Train the trainers

Evidence seems promising on ‘train-the-trainer’ approaches delivering impact for both children and young people, and the professionals working with them. Yet few interventions focus on this; the Money and Pensions Service can fill the gap by increasing training and support for those teaching children and young people.

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\(^{\text{18}}\) Including the links between several protected characteristics under the Equality Act and the financial capability of children and young people; and the influence of peers, the media, and technological change on children’s financial capability.

\(^{\text{19}}\) Developing Financial Capability in Children and Young People: A Review of the Evidence – MAS, 2018


Make best use of external experts

Evidence shows face-to-face delivery of financial education to children and young people by external experts, e.g. through classroom workshops, can have an impact on mindset and ability aspects of financial capability. Increased funding to build capacity through delivery by paid facilitators or volunteers, particularly focusing on building evidence of long-term behavioural impacts, could help achieve our goals.

Target those in most need

Research suggests financial education in schools is currently insufficient to close the gap for children and young people at greatest risk of lower financial capability, in particular those:

- with lower behavioural or social-emotional skills (such as perseverance);
- doing worse at maths or English;
- having a longstanding illness or disability;
- having parents who have no/low levels of qualifications;
- having parents with sole caring responsibility;
- living in social housing; or
- living in low income, ‘financially struggling’, ‘financially squeezed’, or over-indebted households.

This understanding can help us target provision to those who need it most.

At the same time, we believe universal financial education delivered through schools that is as far-reaching and effective as possible is still a priority contribution to an overall solution, providing a base on which other support can be built.

Interpreting our duties

The Money and Pensions Service’s strategic function includes coordinating a strategy to improve financial education for children and young people. Our Corporate Plan will set out our direct commissioning and delivery responsibilities, and the National Strategy will set out how we propose to enable and coordinate other players in the wider ecosystem.

Funding and provision of financial education is currently relatively small and certainly not at the level required to achieve significant improvements in the financial capability of children and young people.

We therefore believe that the Money and Pensions Service’s coordination role should include support to:

- directly fund scaling up of financial education where there’s unmet need and solutions are proven;
- develop and test effective approaches where there’s unmet need but solutions do not yet exist; and
- develop infrastructure and influence funding, policy, and delivery across the sector.

This approach will help fill provision gaps, and demonstrate value in order to attract a wider range of funders.

As well as meeting our statutory duty, we believe that improving financial capability of children and young people will have a hugely beneficial long-term effect for all other parts of the Money and Pensions Service’s remit. Learning about money in childhood and adolescence is a vital component for positive outcomes in adult life.

However, it seems clear that delivering such a vision will require coordinated prioritisation and action on a scale not currently planned by the funders and policy makers of any of the UK’s four education systems. During our listening phase, and beyond, we intend to engage with DfE, the devolved nations, and others on the scale of the challenge, and to explore the appetite for a step change in ambition.
<table>
<thead>
<tr>
<th>In our business plan for 2019/20</th>
<th>Potential activities and goals for the period 2020–2023</th>
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<tbody>
<tr>
<td><strong>Pathfinders</strong></td>
<td><strong>We could scale support to bridge gaps in unmet need and provision where we have good evidence of effectiveness and there are live policy opportunities, using models developed through pilots, rolling out across the UK:</strong></td>
</tr>
<tr>
<td>Support for parents -- testing applicability of evidence–based approaches to helping parents teach children about money, in small areas with highest levels of struggling/squeezed/low income parents (likely focus in Scotland and Northern Ireland)</td>
<td>Parenting programmes to help parents teach their children about money. £1m could reach 5,000 parents and 10,000+ children.</td>
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<tr>
<td>Teacher training -- trialling training embedded in initial teacher learning in areas with highest levels of low income families (likely focus in Wales)</td>
<td>Teacher training to ensure increased effectiveness of core curriculum delivery in every nation. £1m could reach 4,000 teachers and &gt;10,000 children and young people.</td>
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<tr>
<td>Support for 16–17 year olds -- establishing best routes to maximise reach and impact of ‘just in time’ support for young people approaching independence, with a view to delivering improved financial behaviour, not just mindset/ability (likely focus in England)</td>
<td>Financial education for young people, to improve outcomes for 16–17 year olds transitioning to independence. £1m could reach up to 40,000 children and young people.</td>
</tr>
<tr>
<td><strong>Pilots</strong></td>
<td>While gaps remain in evidence on what is most effective to address unmet need and provision gaps, we could run a rolling cycle of new pilots to test at small scale new solutions to gaps in knowledge not addressed in prior years, or where new areas of need are identified.</td>
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<tr>
<td>Under 7s -- early years and early primary school</td>
<td>Where pilots have delivered effective solutions in one year, We could develop larger scale pathfinders to test and develop models for scaled delivery in future years. Each year, we could have a rolling cycle of new pilots, taking effective pilots to pathfinders, and then pathfinders to scale.</td>
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<td>Vulnerable children and young people, with a focus on behavioural difficulties</td>
<td>In the long term once approaches have been tested,</td>
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<tr>
<td>Foster carers, to enable them to teach children in their care about money</td>
<td>− £100,000 for support for under 7s could reach 2,000 children and young people</td>
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<tr>
<td>A coordinated programme of trained volunteers delivering financial education in primary schools and FE colleges in England</td>
<td>− £100,000 on financial education for vulnerable children and young people could reach c.1,000 with additional needs</td>
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<tr>
<td><strong>Infrastructure</strong></td>
<td>We could build on and expand infrastructure developed in year one, to sustain and scale impact with others, by:</td>
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<tr>
<td>Ensure increased access to quality assured resources and financial education delivery guidance for all teachers, parents, and practitioners who support children, young people, and families</td>
<td>− Influencing policy to make sure financial education is embedded in education and children's services, learning from progress in year 1, with a likely focus on:</td>
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<tr>
<td>Build relationships, policy positions, and arguments to influence policy and funding to embed financial education in wider education and children's services, to ensure a supportive policy environment required to be able to deliver impact on the ground at scale</td>
<td>− School curricula and guidance, and inspection and assessment</td>
</tr>
<tr>
<td>Coordinate networks and events, creating a coherent system for sector engagement, facilitating joint working and new funding and delivery partnerships, sharing good practice and evidence, including:</td>
<td>− Support for vulnerable children and young people including children with SEND/Additional Learning Needs and looked after children</td>
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<td>− Establishing action–focused financial education networks in every nation</td>
<td>− Family learning and parenting support</td>
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<td>− Delivering school leaders conference in England, jointly with DfE &amp; HM Treasury</td>
<td>− Far–reaching youth and community programmes</td>
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<td>− Facilitating increased funding from all sectors</td>
<td>− Continuing to embed networks, increasing joint working, co–funding, use of evidence and influence, including:</td>
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<td>− Maintaining at least the current reach and breadth of scope/type of provision</td>
<td>− Sustaining financial education networks in each nation</td>
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<td>− Targeting new provision at geographical gaps, age gaps, and topic gaps in resources, as well as specialist provision for particular vulnerable groups</td>
<td>− Holding an annual financial education ‘assembly’ bringing together financial education funders, providers, and policymakers from all UK nations</td>
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<td>− Continuing to embed networks, increasing joint working, co–funding, use of evidence and influence, including:</td>
<td>− Developing and rolling out quality assurance system, including supporting implementation of plans for accredited volunteer network tested in year 1</td>
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<td>− Sustaining financial education networks in each nation</td>
<td>− Running campaigns to seek to influence parents</td>
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<td>− Continuing to embed networks, increasing joint working, co–funding, use of evidence and influence, including:</td>
<td><strong>Research</strong></td>
</tr>
<tr>
<td>Deliver 2019 Children and Young People financial capability survey to establish 2019/20 baseline and change since 2016</td>
<td>We could run a programme of targeted research to address ongoing knowledge gaps and track change of time:</td>
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<tr>
<td>Update provision mapping to establish increasingly robust understanding of delivery landscape having learned from 2017/18 pilot, and establish accurate 2019/20 baseline</td>
<td>− Deliver a Children and Young People Financial Capability Survey and associated analysis in 2022 and every 3 years, including producing updated needs analysis</td>
</tr>
<tr>
<td>Begin filling major gaps in knowledge, including new research to understand how children and young people’s financial learning and education is being affected by technological changes</td>
<td>− Updating provision mapping at least every 2 years to enable understanding of change in what financial education and funding is available, and where gaps remain over time</td>
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<td>− Continuing to support an increasingly diverse and robust evidence base through evaluation, including increasing evidence on long term impact of financial education on adult financial capability and cost–benefits of different approaches to financial education</td>
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<td>− Filling major research gaps, which will enable better tailoring of provision and effective delivery in future years, including the influence of peers, social and community factors (including the media) in children and young people’s financial capability, and understanding more about unique financial capability needs associated with more vulnerable children and young people, especially how these evolve through transition to adulthood</td>
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Opportunities and priorities

How quickly the model in the high-level plan on the previous page can be delivered will depend on funding allocated. Ideally, we would simultaneously roll out effective provision at scale, create innovative solutions, continue research and development, and coordinate infrastructure to support sustainability and maximum impact. If we achieve all of this, we believe it will be possible to leverage more funding into the sector.

A step change in provision would cost ~£10m a year

We estimate that delivering all of the above to reach over half a million children and young people each year, and building an ever-stronger evidence base for a diverse range of impactful financial education activities, will require around £10m each year. We will need to consider this claim against the other claims on our budget, and the needs identified in other chapters of this document. We welcome your views.

Questions for the listening phase

For children and young people:

15. Do you agree with our analysis of the issues?
16. Are we focusing on the right outcomes?
17. Have we highlighted the right priorities for action?
18. Should we seek to influence the wider policy and regulatory context, and in what areas?
Our evidence base and priorities for working-age people

Working-age people face many money decisions throughout their working lives. We have divided this section into the different challenges they face: day-to-day money management; dealing with financial difficulties; and the longer-term considerations of their pensions.
Our evidence base and priorities for working-age people managing money day-to-day, and building resilience in the short and medium term

The landscape for working-age adults who need to manage their money day-to-day, and build resilience in the short and medium term, is a complex one. A wide range of organisations are working on many different initiatives and interventions, but provision of support is fragmented, consumer engagement is low, and some consumers face barriers to accessing financial services. This means that while there are many openings where the Money and Pensions Service could attempt to achieve leverage, no decisive opportunities have yet emerged for scale. So we have a good understanding of the problem and the outcomes we want to see, but we are not as far advanced as we would ideally like to be in identifying specific scalable solutions. Our overall aim must be to use our funding to leverage additional investment and wider impact. That means that by autumn 2019 we will need to set out a compelling picture of what can be achieved by working on common goals. And we will need to be very clear about where our funding can make the most difference, both in coordinating others, and in direct delivery.
The outcomes we want to see

The overall objective of our working-age activities is to build financial resilience through active saving (including for retirement as well as for emergencies), managing credit commitments, or taking out insurance. The 2018 Financial Capability Survey highlighted the behaviours of not borrowing for everyday spending and active saving as the two strongest predictors of consumers’ current financial wellbeing. Other research indicates that if a household has £1,000 saved, this reduces the chances of falling into debt by almost half.\(^{22}\)

We therefore propose that our three-year Corporate Plan focus on two high-level outcomes:

1. **An increase in the number of people in the working-age population saving regularly.** Currently 58% of ‘financially struggling’ and ‘financially squeezed’ working-age adults regularly put money into savings. A challenging, but achievable, target we could consider for the end of our corporate plan period (March 2023) is that this should increase to 62% by March 2023.

2. **A decrease in the number of people in the working-age population relying on credit for everyday essentials.** Currently 21% of ‘financially struggling’ and ‘financially squeezed’ working-age adults often use credit for everyday spending. A challenging, but achievable, target we could consider for the end of our corporate plan period (March 2023) is that this should decrease to 12% by March 2023.

Overleaf is a graphical representation of the system we are seeking to influence to achieve the high-level outcomes set out above.
The broader context makes it difficult to engage in positive financial behaviours. Young adults face particular challenges relating to credit. Consumers can find it difficult to access affordable financial products and services. Existing support is fragmented and inconsistent. Millions of people do not save regularly, and have almost no savings to protect them against income shocks. Too many people use credit for everyday spending. Customer engagement with support is low – and often too late. 'Struggling' segment: Vulnerable adults, New parents, Under 25s. 'Squeezed' segment: 8.2m working-age adults rarely or never save. 7.9m working-age adults often use credit for everyday spending. Possible outcome: Increase regular saving by 7%. Possible outcome: Decrease by 43% by 2023. What needs to change and who is a target for change? Working-age people.
What we know about the problem

The 2018 Financial Capability Survey and other research has given us a great deal of data and insight about day-to-day money management challenges facing working age adults. In particular, many people in the ‘financially squeezed’ and ‘financially struggling’ segments have low levels of savings with which to withstand income shocks, and are reliant on credit for everyday spending because money runs short at the end of each month.

Some of the key money management challenges for working-age people are highlighted below.

Millions of people do not save regularly, and have almost no savings to protect them against income shocks

8.2 million working-age adults rarely or never save. Although low levels of savings affect millions, they are particularly prevalent with vulnerable consumers and people who have experienced mental health difficulties, have some form of disability, live in the social-rented sector, or are on low income. The FCA’s Financial Lives Survey for example indicates that people are more likely to be without a month’s saving buffer if they:

- have experienced a mental health difficulty within the last three years;
- have some form of disability;
- live in the social-rented sector; or
- earn less than £11,499 annually.

Too many people use credit for everyday spending

7.9 million working-age adults often use credit for everyday spending (such as buying food or paying bills) because they have run short of money.

Young adults face particular challenges relating to credit

Adults under the age of 25 are often wary of credit. Many also have little knowledge about the subject – credit is one of the areas that young adults say they most want to know more about. But one in five higher-education students is frequently overdrawn, and 40% have gone over their overdraft limit or used an unauthorised overdraft.

Consumers can find it difficult to access affordable financial products and services

When consumers face barriers to accessing financial services, such as to affordable credit and insurance, this undermines their ability to manage money well and build financial resilience.

Consumer engagement with support is low – and often too late

As identified in the first chapter of this document, consumer engagement is a major barrier.

Existing support is fragmented and inconsistent

There is currently fragmented and inconsistent provision across organisations from a wide range of sectors, including: financial services, housing, local authorities, government-funded agencies, post-school education, and the community, voluntary, and faith sectors. There are many initiatives aiming to address challenges around working-age money management, and the related issues of financial capability, financial resilience and financial exclusion. Examples include:

- Nationwide’s Open Banking for Good initiative;
- Barrow Cadbury Trust’s Fair by Design programme;
- the End High Cost Credit Alliance;
- Carnegie Trust’s Affordable Credit Loan Fund;
- HMRC’s Help to Save;
- the work of the Behavioural Insights Team and Nesta;
- HM Treasury’s credit union prize-linked savings and no-interest loans pilots; and
- the Dormant Accounts Fund.

At a local level, as the example of Swindon shows earlier in this document, delivery of money-management support comes from a wide range of sectors and organisations.
The broader context makes it difficult to engage in positive financial behaviours

The impact of the money management challenges set out above is of course affected by the context of economics, social policy and consumer psychology. It can be difficult for people to engage in positive financial behaviours when faced by challenging personal circumstances or a difficult financial environment. Behavioural biases mean that they will often prioritise the short-term over the long-term. This is especially true for people in more vulnerable situations. Any solutions put forward to address the challenges must take this broader context into account: financial capability is a function of people’s skills, knowledge and mindset and also the environment or ‘ecosystem’ in which they make financial decisions. This context includes, for example, poverty and low/variable pay; the changing structure of working lives; major changes to the way people access and manage working-age benefits (such as the introduction of Universal Credit); regulations around consumer protection; vulnerability; and credit, savings and insurance regulations.

What we know about solutions

Evidence gathered from evaluations (including MAS’s What Works Fund and a MAS evidence review), and discussions with stakeholders have identified a number of success factors to address the money management needs of working-age people.

**Use an appropriate mix of delivery channels**

Multi-channel programmes enable consumers to engage with a service in a way that best suits their needs. Workshops can be effective in providing simple money management guidance and practical tips, and are particularly engaging where they facilitate peer discussion and learning. One-to-one support is required when beneficiaries have complex issues and needs. Offering one-to-one support alongside workshops and helplines should be considered when targeting vulnerable groups (e.g. people with low mental health) or when intensive support is required to develop new skills (e.g. assisted digital transactions).

**Develop flexible approaches**

Modular content enables providers to customise sessions to suit the interests of the audience (e.g. tailoring content around different life-stages).

**Build content around life-events**

Life-events (such as becoming a parent for the first time) offer ‘teachable moments’ when people are more likely to engage with, and act on, money guidance.

**Partner and co-locate with other organisations/services to engage hard-to-reach audiences**

Partnering with organisations consumers know and trust, including those outside the traditional financial capability sector, can enhance engagement. Co-locating/embedding money guidance within other existing support services can also reach audiences who don’t typically engage with money guidance, and enhances effectiveness by providing holistic support to deal with a range of other issues linked to financial difficulties.

**Train practitioners already reaching target groups**

Providing specialist training on money guidance and financial capability to practitioners (including volunteers and peer/near-to-peer mentors) who are already reaching and engaging with target groups is valuable.

**Plan digital interventions to increase access and engagement simultaneously**

Digital interventions can help people improve their money management, identify areas of over-spending, and improve financial confidence and ability. At the same time, getting people engaged in the first place can be challenging, particularly if people are not digitally and/or financially confident, or do not understand the purpose and benefits of any digital tools. So interventions must consider ways to simultaneously increase access, confidence and engagement.

**Use peer-led and volunteer activities to increase engagement**

Peers can empathise and provide credible personal experience, and therefore are trusted messengers. Peer mentoring also improves the financial capability and confidence of the mentors themselves. However, turnover can be challenging; mentors may need intensive support themselves to remain engaged. By contrast, for complex information (e.g. on pensions), support from a trained adviser is needed to reassure consumers that they are receiving expert guidance.
Provide money guidance alongside access to low cost credit

There is evidence that this is effective in improving money management, financial literacy and confidence.

Use behavioural insights to develop nudges and product features to improve money management

Promoting goal-based saving and supporting consumers to establish a savings routine both help to bring about sustained savings behaviour. Nudges (e.g. via text messages) can be effective in prompting people to maintain new behaviours after or between contact from providers. Evidence suggests that incentivised saving products work well in attracting savers. And product features may be effective in increasing the amount people save, for example based on automation (e.g. payroll savings) or reducing ‘friction’ (making desirable behaviour easier e.g. transferring savings into a separate account, or a ‘sidecar’ savings product).

Interpreting our duties

The Money and Pensions Service’s strategic function includes developing and coordinating a National Strategy to improve the financial capability of members of the public. The Act also gives the Money and Pensions Service a money guidance function, which is to provide free and impartial information and guidance designed to enhance people’s understanding and knowledge of financial matters and their ability to manage their own financial affairs.

The Act gives us several objectives including:

(a) to improve the ability of members of the public to make informed financial decisions;

(b) to support the provision of information, guidance and advice in areas where it is lacking;

(c) to secure that information, guidance and advice is provided to members of the public in the clearest and most cost-effective way (including having regard to information provided by other organisations); and

(d) to ensure that information, guidance and advice is available to those most in need of it (and to allocate its resources accordingly), bearing in mind in particular the needs of people in vulnerable circumstances.

Our three-year Corporate Plan will therefore set out our direct commissioning and delivery responsibilities in relation to working-age money management, and the National Strategy will set out how we propose to enable and coordinate other players in the wider system.

Opportunities and priorities

In order to reach and impact consumers at scale, we plan to focus on three main areas:

- **Our funded services** covering guidance and debt advice;

- **Partnering through UK-wide, or national-level, solutions** under the National Strategy; and

- **Partnering through local partnerships** pursued under the National Strategy, but with significant seed funding from our budget.

Our funded delivery

We offer universal guidance services through helplines and printed guides, and digital information and tools online. We propose to explore ways to focus our digital offer on tools and guidance that promote our two high-level outcomes for working-age people.

We plan to develop a debt Target Operating Model (TOM). This is **explored in more detail in the next chapter**. It will enable debt advice organisations to clarify consumer needs up-front, and funnel consumers to the right organisation. Of the 9m people who are over-indebted, we estimate that only 4m truly need debt advice urgently. The other 5m people could benefit from money management support to help them with their over-indebtedness, but do not need formal debt advice as a priority. A successful TOM will enable us to direct more of these people to the financial capability support services they need.

**Partnering at the UK-wide level**

We will look for opportunities to partner with financial services, fintech firms, and employers, in particular where we can leverage behavioural insights to improve financial capability and money management. In late May, we will publish our latest financial services
research – *Financial Capability in Financial Services: A Landscape Review* – as part of this listening process. This will highlight the progress that has been made in retail banking to build financial capability into core products and services, and the opportunities for firms to go further. We will start a discussion during the listening phase with these institutions and their peers about what more they can do to help their millions of customers manage their money better, as well as what more we can do to support firms in this mission.

### Working with financial services to build financial capability into products and services

The Money and Pensions Service is completing a study that has interviewed a cross-section of leading financial institutions who offer bank payment and savings accounts. The study has four aims. The first is to understand what features exist (within or around these core products) that may help to help build financial capability. The second is to understand the key commercial drivers (as opposed to corporate responsibility) for firms to create these features. The third is to understand how financial capability thinking is led and organised within institutions. And the fourth aim is to both share and increase the adoption of best practice as a result of the study. The study will be launched in late May. Participating institutions are given below; over our corporate plan period we will be looking to engage a wide section of the financial services industry (e.g. including more banks, building societies, and insurers, as well as building on existing relationships with pensions firms).

Through the Financial Capability Lab – a partnership with the Behavioural Insights Team – we are already working with financial services and commercial fintech firms that want to build even more innovative financial capability features into their products. We currently have three such partnerships in progress with Lloyds Banking Group, Royal London and Monzo. We intend to develop three more partnerships, which will run through to March 2021.

Banks and other firms already contribute significant sums to supporting consumer financial capability via levies, corporate social responsibility initiatives, and in-house additional support for vulnerable consumers. We propose that a key goal over our corporate strategy period should be to work with them to make these initiatives and this spend more than the sum of its parts.

### Firms that have taken part in our financial services landscape review

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<th>Major banks and building societies</th>
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<td>Barclays</td>
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<td></td>
<td>Co-operative Bank</td>
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Working with employers

We are already supporting the trial of a ‘sidecar savings’ initiative that allows people to opt into building a liquid savings buffer alongside their workplace pension through regular payroll deductions. We are also supporting a test-and-learn evaluation of a credit union and local authority employer payroll deduction savings and low-cost credit scheme, to identify how best to encourage employees to participate in automated payroll-deduction savings schemes. We will complete these projects and seek to engage more employers to expand access to workplace-based solutions to build financial resilience. We are particularly keen to work with large employers, for whom employee resilience and wellbeing is increasingly becoming a mainstream concern. In 2019/20 our regional team in England will have a special focus on building relationships with employers and making the case for supporting employees to improve day-to-day money management and build long-term financial resilience.

Working with specialist partners

In recognition of the clear evidence of particular challenges faced by consumers with mental health difficulties, our commissioning plans include developing a publicly funded fintech intervention intended to support people with low financial capability and mental health problems. We propose to work with mental-health professionals, financial services and other experts to design, build and test an early-intervention public fintech solution to support people facing mental health challenges when making financial decisions. This would fill a clear gap left by commercial providers.

Partnering at the local level

Our commissioning plan for working-age people sets out three specific initiatives that we will begin to build in 2019/20:

- **Setting up local area pathfinders** – our commissioning plan for working-age people includes testing an intervention model that we believe has potential to scale up in reach and impact. This model involves a ‘backbone organisation’ bringing together local support agencies, community groups, financial services providers and employers to design and test interventions to improve our two key high-level outcomes for our target consumer groups (‘financially squeezed’ and ‘financially struggling’ segments) in a specific local area. We plan to evaluate the effectiveness of these partnerships with a view to scaling them up at more locations across the UK.

- **Developing money guidance support for under-25s** – our commissioning plan also includes an initiative to bring together young adults, practitioners from youth and student organisations, employers and job centre staff to design and test a money guidance support system for under 25s at key transition points (e.g. completing further/higher education, first accessing Universal Credit, in training or apprenticeship, or entering the labour market).

- **Funding accredited practitioner training** – we’ll engage trusted practitioners, who currently have no formal training in financial capability, from a range of wellbeing services. In line with the practitioner competency framework (see Annex 1 in this document), we will develop and test training programmes aimed at helping practitioners to provide money management support to consumers facing the biggest challenges including those who access mental healthcare, offenders/ex-offenders, new parents, or those in supported housing.

In addition, we propose to work with a wide range of organisations (including employers and local housing associations) to improve the financial capability and money management of working-age people.

From the Money Advice Service’s What Works Fund, one of the most promising interventions for working-age people was a ‘rent-flex’ scheme in which people living in social housing could vary the amount of rent they paid by month, provided they committed to accessing financial capability support. The trial showed that people paid more of the rent that they were due to pay, improved their own money management skills, and were less stressed as a result of the scheme. We consider this model to be potentially scalable, and to deliver benefits to housing associations as well as tenants and we propose to explore scaling between now and 2023.

These initial interventions to target high priority groups and opportunities will not be nearly enough on their own. The Money and Pensions Service will therefore work to influence policy making and systems, and through the National Strategy to coordinate and leverage more financial capability support from the wider ecosystem. This will mean greater involvement from financial services, employers, housing associations, trade unions, post-school education providers, government services, local authorities and others.
Questions for the listening phase

For working-age people managing money day-to-day, and building resilience in the short and medium term:

19. Do you agree with our analysis of the issues?

20. Are we focusing on the right outcomes?

21. Have we highlighted the right priorities for action?

22. Should we seek to influence the wider policy and regulatory context, and in what areas?
Our evidence base and priorities for working-age people dealing with financial difficulties and debt

We have a good understanding of the landscape in which debt advice is provided. MAS worked with debt advice providers for many years, including in the devolved nations where debt advice funding is now managed by each individual government. We have a good understanding of the problem and the outcomes we want to see.
The outcomes we want to see

Although we want to prevent over-indebtedness arising in the first place wherever possible, we believe it will continue to be a feature of economic life in the UK for the foreseeable future.

So we want everyone who needs it to be able to get free and effective debt advice. Our vision is that debt problems should be resolved quickly and effectively for everyone. A challenging, but achievable, target we could consider for the end of our corporate plan period (March 2023) is that at least 500,000 more people are accessing free debt advice every year.

We want to improve the quality of debt advice and focus it on meaningful outcomes that can be achieved by over-indebted people. Currently 41% of people, a few months after receiving debt advice, report that they are still missing payments on their bills or credit commitments. A challenging, but achievable, target we could consider for the end of our corporate plan period (March 2023) is that we should aim to reduce this percentage to 32%.
Dealing with financial difficulties and debt

9m adults are over-indebted – no area of the UK where supply matches demand

Funding does not align behind a common set of priorities

Debt remains a taboo

Debt advice is effective for many, but quality of provision varies

At least 500,000 more people access free debt advice every year (by March 2023)

Reduce by 22% the % of people still missing payments on bills/credit commitments a few months after receiving debt advice (by March 2023)

What needs to change and who is a target for change?

Who could enable the change?

What are the possible prompts for change?

Debts

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Reduce by 22% the % of people still missing payments on bills/credit commitments a few months after receiving debt advice (by March 2023)
What we know about the problem

We believe that too many people are over-indebted. This currently stands at 9m people and the number has been rising for the past three years.\(^{28}\)

At the same time, there is no area of the UK where supply matches demand. The Independent Review of Debt Advice Funding\(^{29}\) led by Peter Wyman, published in January 2018, stated the gap between supply and demand stood at approximately 600–650,000 people who were unable to get the debt advice they need each year. Our data suggests this has since grown.

9m adults are over-indebted – and there is no nation in the UK where supply matches demand for debt advice

Being over-indebted not only has a severe impact on an individual’s wellbeing but can also have indirect costs. For example, our research illustrates the impact that over-indebtedness has on productivity and demand for mental health services.\(^{30}\) Reducing problem debt therefore has benefits far beyond the individual.

Around a third of the over-indebted population received help with debt last year, a rise from just over 20% in the previous year. This is a welcome increase, as we know people generally wait a long time before seeking help\(^{31}\) and, often, the earlier someone seeks help, the greater the number of options available to them. In absolute terms, the percentage seeking support helps to illustrate what is perhaps the key challenge in the debt advice sector – engagement with services.

This increase also serves to intensify the challenge of matching supply and demand. Given funding constraints, increasing capacity in an efficient manner must be carefully balanced against pro-actively increasing engagement levels.

To add to rising demand, people’s issues are becoming more complex. Advice agencies report an increase in the numbers of people whose income cannot meet their essential everyday needs, for which there is often no clear solution. The nature of people’s debts is also changing: while debts to financial services firms still make up the vast bulk of money owed, the number of people in debt to local and central government and utility firms is rising rapidly.

Given both the rise in demand and the increasing complexity, it is understandable that providers of debt advice often focus more on crisis relief than on long-term improvements in financial health. In addition, opportunities to reach people earlier are not being maximised and post-advice support is limited.

Debt remains a taboo subject

The taboo associated with debt often acts as a significant barrier to people seeking help. People tend to have low awareness levels of the existence of debt advice and they can find it hard to identify a suitable provider. And a further barrier is that the debt advice landscape can be difficult for consumers to navigate if they do seek help, particularly online. A supporting and empowering role from creditors here is critical, both in terms of the initial help they can offer themselves and through making effective referrals to debt advice. Creditors’ standards here range from excellent to poor.

Debt advice is generally effective though quality of provision remains variable

While debt advice is proven to work for many, the quality and effectiveness of support provided by debt advisers can be inconsistent.\(^{32,33}\) The options for...
solving debt problems can be confusing or not fully sufficient to address people's issues. Support that falls below the expected standard prolongs people's issues, creates inefficiency and at worst is positively detrimental to consumers and broader society.

We believe that focusing providers on the high-level outcome of reducing the proportion of people who, having received debt advice, are still missing payments on their bills or credit commitments, is an excellent proxy for many aspects of the quality of debt advice.

**What we know about solutions**

Whilst there are clearly areas for improvement in the debt advice sector, much of the work that goes on in the sector is truly inspirational and transformative. Our outcomes evaluation shows that debt advice works for most individuals and, for broader society, the return on debt advice investment is up to almost a billion pounds a year.

**Collaborate more to improve effectiveness**

We are fortunate that many of the solutions are relatively widely agreed upon, arising from the Debt Advice Steering Group, the Debt Advice Operational Group, the Wyman Review and various other consultations that have been carried out in recent years. This work has identified the following areas that the sector agreed should be focused on:

- finding effective ways to reduce the number of people becoming over-indebted – including through work to improve financial capability at a population level;
- ensuring the supply of high-quality, timely debt advice to help people resolve debt crises;
- increasing funding for the sector as a whole to bridge the gap between supply and demand;
- initiating investment in infrastructure to increase efficiency across the sector leading to greater use of lower cost channels;
- developing a sustainable funding model that drives good customer outcomes and provides for an adequate supply of debt advice and for administration of solutions; and
- a consistent approach to sector wide data and evaluation, collated in a way that can drive continuous improvement.

These common themes agreed by the sector can be understood as elements of a **Target Operating Model**.

**Continue to raise standards**

With so many people in need of support with their debt but not seeking it, effective support and referrals from a wide range of creditors and trusted intermediaries are critical to increasing engagement and effectiveness of advice. The Money Advice Service's creditor toolkits have already established a broadly agreed set of good practices for creditors to consider.

The Money and Pensions Service has built a set of agreed standards, approved by the FCA, for its funded agencies to follow for debt advice. However, its programme goes far broader in promoting and ensuring high standards across the sector. Quality of debt advice is something all stakeholders have a role in. The Wyman Review also helpfully set out an expectation for sector wide quality assurance and qualifications for advisers.

The impact of debt advice will grow if there are more tailored advice services, meeting the different needs of different segments of the population. Such tailored services would also make it possible to embed financial capability interventions at the right stage of the debt advice journey, for the right people – those who will be able to act on what they learn.
Interpreting our duties

The Act sets out a debt advice function with a focus on providing effective, high-quality debt advice, in line with need, to over-indebted people across England.

The Act sets out a national strategy function that includes debt advice, and goes beyond England. Therefore, we will continue to work with colleagues in Scotland, Wales and Northern Ireland (to whom funding has been devolved) on the provision of debt advice services. This is likely to be particularly the case in the commissioning of digital and telephone services where geographic boundaries are less relevant and there are significant opportunities to achieve economies of scale. The Money and Pensions Service will also share insights from its own research and encourage collaboration on quality, training and service design.

As part of its strategic function, we are required to improve the ability of members of the public to manage debt. Responding to this, we recognise that seeking debt advice is often the end of a long journey, which can start with accessing credit or the struggle to pay essential bills. Therefore any strategy needs to account for these events. With earlier intervention to improve financial capability and build resilience, we may prevent issues from becoming more serious, shift some of the demand for debt advice ‘upstream’, and make future debt problems less likely. There are multiple points where help can be offered and multiple partners who can provide support. In developing any strategy, we will engage with this environment, working closely with frontline organisations and creditors across sectors.

Opportunities and priorities

Our priority is to increase the supply of high-quality debt advice. We propose that we should increase the supply of debt advice to at least 500,000 more people each year by the end of 2023.

The Debt Advice Steering Group agreed a new Target Operating Model\(^8\) for the debt advice sector in July 2018 and delivering on that is the key opportunity we propose to pursue.

What is a Target Operating Model for debt advice?

There are many routes into money and debt advice: many providers, many formal solutions, and multiple channels. A Target Operating Model (TOM) is a combination of: triage, technology, process and people to help us solve the following challenges:

- how can we get over-indebted people and those with money queries to the right provider for their needs as quickly and efficiently as possible?
- how can we ensure that the consumer can self-serve or use digital solutions in the best manner?
- how can we ensure those who get face to face support are those with the most need, and how do we identify them?
- how can the customer get a wider picture of their money and debt using modern technology?
- how do we drive a step up in efficiencies, so that the saving per unit can be re-invested to support more people who need our help, looking to target at least a 33% efficiency from the TOM?
- how can we track outcomes as clients proceed through the debt advice journey?

Key to the thinking behind the model is that there should be a triage process that sorts customer need/priority, brings together information quickly and consistently; and ensures that there is as much digital self-serve/webchat as possible, and then phone only if needed, with only those most in need having face to
face support. To achieve this, we will use a piece of technology (a ‘Hub’), which will provide a common entry point to over-indebted people, who would be referred to the Hub by creditors/relevant reference points. The Hub would triage the consumer to discover whether they need debt advice or some other form of support, and what would be the best channel for them. It would then, as a result of a collaborative partnership between providers, refer the consumer to the right organisation.

Further on in the journey, the overall model would enable common approaches to delivering high-quality debt advice (in England) and money guidance, as well as common measurement of outcomes (such as the extent to which clients manage to pay bills after receiving advice). Data collected from these outcomes should make it more attractive for creditors to refer over-indebted people at an earlier stage. And it should make it easier for debt advice organisations to deliver continuous improvement and drive efficiencies.

Previous collaborative work with the sector has also proposed a set of common aims that the TOM should achieve. We propose that the success of the model should be measured against these goals:

- achieving a 33% increase in efficiency on current model;
- delivering a scalable model;
- driving a consumer channel shift to digital self-service;
- achieving a joined-up supply chain, in the interests of quality and efficiency;
- enabling people to have a wider perspective on their debt issues in one place;
- helping more people as early as possible through an efficient, effective client journey;
- understanding impact and fostering improvement at all stages of the client journey;
- developing and implementing a sustainable funding model that incentivises the best possible client outcomes and encourages collaboration across advice providers;
- building improvements in quality, consistency and client experience into all aspects of advice agency and creditor practice; and
- building debt advice as an appealing, aspirational profession.

Questions for the listening phase

For working-age people dealing with financial difficulties and debt:

23. Do you agree with our analysis of the issues?
24. Are we focusing on the right outcomes?
25. Have we highlighted the right priorities for action?
26. Should we seek to influence the wider policy and regulatory context, and in what areas?
Our evidence base and priorities for pensions and planning for retirement

The pensions landscape has changed considerably over the last decade, with 10m people now saving for retirement through automatic enrolment, the introduction of pension freedoms in 2015, and the introduction of the new State Pension in 2016. These changes will continue to impact and shape the landscape in the coming years.

Our initial service offer to fulfil our pensions guidance duty includes high quality, effective tailored guidance on pensions, a number of digital tools, calculators and guidance to help customers understand retirement income and options, and the Pension Wise service focused on helping customers understand and navigate pension freedoms so that UK consumers can make the choices that are right for them.

Together, these services will drive improved consumer understanding, more informed decision-making and more active participation in the markets for products, financial services and advice. We welcome further input from stakeholders on what, in addition to developing and improving consumer understanding and engagement, can be a motivating and realistic ambition for a national strategy that brings together advice providers, providers of financial guidance and consumer groups.
The outcomes we want to see

Automatic enrolment into workplace pensions has transformed pension saving for millions of workers. At the same time, we know that 22m working-age people say they don’t know enough to plan for their retirement.\(^{39}\)

The creation of the Money and Pensions Service provides the opportunity to deliver better customer journeys that will provide the better connected and more holistic help with money and pensions the UK needs:

- by understanding money trade-offs and working with triggers like life events or engaging the customer along their journey with money, debt and pensions, we can aim to make interventions more effective, and create a systemic shift in the culture of money management in the UK;

- people are accessing information and using technology in new ways over the last decade. By shifting our thinking of traditional engagement methods, and by exploiting the interaction between digital, telephony and face to face channels, we can improve the opportunity to engage with customers; and

- by working collaboratively with the financial services industry we can improve engagement and confidence for people to take control of their pensions, and make the best financial decisions for their personal circumstances.

A challenging, but achievable, target we could consider for the end of our corporate plan period (March 2023) is that 2 million more working age adults could say they understand enough to make informed decisions about their retirement.
The concept of retirement has changed. People tend to live for today. There is a pension gap between women and men. The burden of risk has shifted towards individual employees. People are vulnerable to scams.

By March 2023, 2 million more working age adults can say they understand enough to make informed decisions about their retirement. 22 million working age people currently do not feel they know enough about retirement planning.

Pensions and planning for retirement

Proposed outcomes

- Annual pension statements and wake up packs
- Pension and wake up packs
- Pension guidance via phone or webchat
- Interactive services: pension tools, and calculators dashboards
- Pensions advice
- Regulated events
- Life providers
- Pension and wake up packs
- Annual pension statements
- Freedom guidance

Who could enable the change?

- Government
- DWP, HMRC
- Employers
- Employer and outsourced delivery
- Financial services and other product providers
- Media and social influencers
- Regulators: FCA, TPR and PRA
- Third sector organisations and consumer bodies

What are the possible prompts for change?

- Changes to the policy landscape
- Auto-enrollment, DC and TPK
- Media and social influencers
- Financial services

What needs to change and who is a target for change?

People and policy landscape

Who and what are the external influences?

The system: Pensions and planning for retirement
What we know about the problem

Automatic enrolment has been a success, but the engagement challenge remains

Automatic enrolment into workplace pensions has transformed pension saving for millions of workers, enabling more people to save while they are working, so they can enjoy greater security and independence when they retire. It has reversed the decline in workplace pension saving seen in the decade prior to its introduction. So far, more than 10 million workers have been automatically enrolled into workplace pensions saving and over 1.4 million employers have met their automatic enrolment duties. In 2019/20 an extra £18.6 billion a year is estimated to go into workplace pension saving as a result of automatic enrolment. Automatic enrolment is rebuilding the UK’s pension saving culture and normalising pension saving.

At the same time, we face a continuing challenge to engage consumers to think more pro-actively about the trade-offs between spending now, saving for short-term goals, greater resilience and planning for retirement. We want consumers to be able to access relevant information and guidance, particularly when significant life-events occur (e.g. a new job, redundancy, having a baby). Building financial capability is especially important in the context of pension freedoms, to ensure that consumers have the right knowledge, skills, motivation and confidence to make appropriate decisions.

The burden of risk has shifted towards individual employees

There has been a move away from defined benefit (DB) pension schemes, which provide a guaranteed income in retirement, to defined contribution (DC) schemes, the income from which relies on the amount of money saved, how long the money is invested for, and the performance of investment.

Policy change in pensions will continue to shape the market and savings behaviour in years to come

Policy change has created new savers through automatic enrolment, which now has 10m people saving, mostly into DC pension schemes. In 2015 the Government introduced pension freedoms giving people aged 55 or over access to their DC savings, which created a cohort of inexperienced investors that need to make complex choices about their pension.

The new State Pension was introduced in 2016 which has given more people a firm foundation on which to build their own private pensions savings.

The cumulative impact of these changes will emerge over time and we will need to respond and adapt to new and emerging trends.40

Pensions freedoms have opened up choices and creates opportunities to engage

Since the pension freedoms were introduced in 2015, more and more people have been accessing Pension Wise guidance to help them understand the options they have for accessing their defined contribution pension savings. There were 164,000 Pension Wise guidance appointments in 2018/19, which is more than 2.5 times higher than the first year of operation. General pensions guidance appointments are also increasing. Every effort needs to be made to make sure that take up of guidance continues to increase, and that people know how to access help before (as well as during and after) they access their pension.

People tend to live for today

Behavioural research has highlighted a number of cognitive biases that frustrate planning and preparation for our financial futures. For instance, we tend to value smaller rewards in the short term over bigger rewards in the longer-term. Optimism bias means that we think things will probably sort themselves out, so if decisions are complex we put them off if we possibly can. These barriers to engagement, despite many interventions, have not substantially shifted in over a decade.41

So despite 10 million people saving into pensions through automatic enrolment, people are not saving enough for retirement. Minimum automatic enrolment contribution levels, though increasing from 6 April 2019, may not provide adequate income replacement in retirement.

There is a pensions gap between women and men

Women currently enter retirement with just half the pension wealth of men.42 One key driver is the gender pay gap – women contribute less to their pensions

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40 Retirement Outcomes Review, Final Report – FCA 2018

41 In 2007 DWP said: “In addition, we know that pension saving is further inhibited by the difficulty people have in focusing on their needs in the distant future rather than now. We also know that simply giving people information about retirement planning has little effect on actual behaviour. Too often, information about pensions does not capture people’s attention”.

In 2018 DWP said “People lack confidence when faced with decisions about their finances, and engagement with pensions is low. A quarter of people aged 55 and over and who are retired say they do not know the size of their pension savings. Eight in 10 people with a defined contribution (DC) pension have not given much thought to how much they should be paying into it to maintain a reasonable standard of living when they retire”.

42 Wealth in Great Britain Wave 4 (Chapter 6: Private pension wealth) – ONS, 2018
because they earn less than men and this can be compounded by disrupted working patterns over the course of a career. Considering investing more broadly, women report lower financial confidence than men and are less likely to seek financial advice.43

People are vulnerable to scams

Barriers to engagement and the complexity of choices and products can increase the risk of financial abuse and scams. In 2018, victims of pension scams lost £91,000 on average each to fraudsters. Precise figures on the total scale of fraud are a challenge, but Action Fraud has aggregated a total loss to date of £600m.44

The concept of retirement has changed

People’s working lives do not follow set patterns as in the past. The concept of retirement has changed, and people are living longer which means that the choices faced by individuals are more diverse and the risk of them running out of money is significantly increased.

Our financial capability retirement review study provides evidence that shows people who are more adept at managing money well day-to-day have a better chance of navigating pensions and retirement decisions. However, the complexity of markets makes it challenging for most people.

The increase in people taking flexible retirement options highlights the ongoing need for engagement, review and making decisions about investments and spending throughout the whole of retirement. There are significant questions about how we, industry and consumer organisations ensure that people access appropriate and timely support.

What we know about solutions

Legislate to encourage and protect

Legislation has worked to increase savings. 10 million people are now enrolled into workplace pensions. Changes to the automatic enrolment programme are due to come into effect in the mid-2020s, lowering the enrolment age to 18 and bringing lower paid workers into the fold. However, there is currently no specific plan to bring the self-employed into automatic enrolment, although DWP have initiated a programme of work to test approaches to increase pension saving among self-employed people.45

We know that it is also important to legislate to protect consumers against poor decisions and outcomes. The FCA has strengthened the rules on pension transfer advice to try and avoid people transferring out of defined benefit savings inappropriately.46

To protect people from pension scams the Government has now implemented a pensions cold calling ban. We know that one of the most common methods used by scammers is through cold calls. Research shows that there could be as many as 8 scam calls every second.47 This is why the Government has made unsolicited calls about pensions illegal – and companies that break the rules can face fines of up to £500,000.

Make it simpler and more personal

Overall understanding and confidence around pensions is low, especially pensions freedoms. Our research shows that language used around pensions should be relevant, personal and accessible, empowering individuals to take ownership of their pension and not suggest any expectation of prior knowledge.48 Pensions language should portray pensions as a lifelong issue, relevant to all ages. Despite younger people perceiving pensions to be a far-off concern, those who have retired often wish with the benefit of hindsight that they had known more about their options earlier.

Effective guidance should be accessible and flexible enough to consider individuals’ wider circumstances such as life style, pensions, debt and non-pension assets, delivered at the right place and at the right time to have the most meaningful impact. Guidance can empower more confident and knowledgeable individuals who can effectively engage with the financial services market.

43 Playing it Safe: women and investing – Britain Thinks, 2016
44 Types of fraud: Pension Scams, Action Fraud
45 Automatic Enrolment review: Maintaining the Momentum – DWP, 2017
46 Key findings on our recent work on pension transfer advice – FCA, 2018
47 Eight ‘scam calls’ now take place every second – MAS, 2015
Interpreting the role of the Money and Pensions Service

The Financial Claims and Guidance Act states that the Money and Pensions Service will provide information and guidance on matters relating to occupational and personal pensions and information and guidance designed to enhance people's understanding and knowledge of financial matters and their ability to manage their own financial affairs.

The Money and Pensions Service can bring people's money lives together in one place and simplify customer journeys.

Opportunities and priorities

There is a diverse range of organisations across financial services providing regulated advice, guidance and support for people with their money. The challenge is to identify how the Money and Pensions Service can best work together with other organisations, within the context of the National Strategy, to meaningfully engage with people at different points in their lives.

We can further build the evidence base for increasing consumer engagement and understanding people's interactions across all of their money lives – using our financial capability data and through the ongoing evaluation of our services and channels.

Delivering the promise of the Money and Pensions Service

We need to work on our customer journeys: bringing together three services to become one guidance service that helps create active consumers who are confident to engage with the financial services market.

We also plan to continue our early intervention work to protect consumers, in partnership with government, regulators and industry in many areas, including continued work on tackling pension scams.

We plan to continue our investment in frontline delivery activities, to effectively and efficiently deliver 205,000 pension freedoms transactions in 2019/20, by increasing the capacity of our frontline specialists.

We plan to invest in multi-channel marketing to create demand for guidance about pension freedoms, driving traffic and raising awareness. We want to see a 26% increase in the pensions guidance we deliver through Pension Wise in 2019/20. We will continue to develop our digital channel by bringing together our digital estate into one customer journey and working with regulatory and industry partners to enhance our tools.

Default guidance

The Act set out a requirement for a stronger final push towards pensions guidance at the point when a pension holder seeks to access or transfer their DC pension savings. The aim is to make receiving pensions guidance via Pension Wise a default. The Money and Pensions Service is leading a project to test different approaches to nudging people into guidance, working with Government, regulators and industry to find the most effective approach. The results of this testing will be published and will provide an evidence base for the FCA and DWP to create new rules and regulations.

The preliminary work is underway and funding and resources are in place for testing in 2019.

Making pensions more accessible and easier to understand

Pensions dashboards will offer people access to their information from multiple pensions at a time of their choosing, helping to make pensions more accessible and potentially increasing engagement. Having access to this information along with guidance or advice could help people to make informed and confident choices when planning for their retirement. We will support DWP in the delivery of the pensions dashboards, establishing governance and process for building the non-commercial dashboard.

The FCA, as part of the Retirement Outcomes review, is planning to consider more frequent, standardised communications around the information that is sent to consumers before they decide how to access their pension savings, including ‘wake-up’ packs, ‘wake-up’ pack reminders, and additional retirement risk warnings. The Money and Pensions Service is involved in this work. The industry has launched an approach to simpler Annual Benefit Statements. Clearer, consistent and more standardised communication across the industry could help to demystify pensions for people and potentially lead to greater understanding and potential engagement with pensions saving.

We can further build the evidence base on increasing consumer engagement and understanding people's interactions across all of their money lives using our financial capability data and through the ongoing evaluation of our services and channels.
Questions for the listening phase

For pensions and planning for retirement:

27. Do you agree with our analysis of the issues?
28. Are we focusing on the right outcomes?
29. Have we highlighted the right priorities for action?
30. Should we seek to influence the wider policy and regulatory context, and in what areas?
31. How do we get consumers to engage actively in pensions and planning for retirement?
Our evidence base and priorities for people in retirement

Our understanding of the landscape in which older people can improve their money management skills is less developed than for other life stages. We have strong links with stakeholders including experts in the guidance and advice landscape, product providers, regulators and organisations that support older people. We believe there is much more we need to do, working with these stakeholders, to decide the focus of our work in this area, and what outcomes we could measure and seek to change. We think there is potential to move from a better understanding to driving change within the period 2020–23.
The outcomes we want to see

At a high level, we would like to see people in retirement able to make informed financial decisions, feel confident about protecting themselves from financial scams and confidently manage their financial resources day-to-day as well as over their entire retirement. Progress towards this vision will be an important part of increasing the financial capability of the UK, given that the population is ageing, and that by 2040, nearly one in seven people are projected to be aged 75 and over.

We will work towards ensuring the availability of meaningful consumer-focused guidance that is accessible for people in retirement, regardless of their financial capability, level of digital engagement or how vulnerable they might be.

We believe we should fill identified gaps, referring to and highlighting existing impartial guidance. And that we should commission or partner with organisations to increase the effectiveness of existing high-quality guidance, reaching those in retirement who need it most.

Given the large number of people in retirement, and the depth and complexity of their needs, we do not yet have a sufficiently focused view of the particular groups who could most benefit from our work, nor focused and measurable outcomes. Development of this thinking will be a key deliverable for the early part of the period of our three-year Corporate Plan.
People in retirement can struggle with money issues but do not always claim benefits they are entitled to. Retirement is no longer the cliff edge that it used to be. Needs in later life are difficult to predict. A minority of older people still need to service debts. Many older people are digitally excluded. Cognitive ageing exacerbates many problems. Older people are vulnerable to abuse and scams. What needs to change and who is a target for change? What are the possible prompts for change? Who could enable the change? Who and what are the external influences?
**What we know about the problem**

**Retirement is no longer the cliff edge that it used to be**

People in retirement may be drawing an income from their pension savings, and or receiving the State Pension while remaining in some form of employment. This life stage can present a complex set of money decisions and trade-offs which includes day-to-day money management, ongoing investment decisions and decisions about long-term care, equity release, property downsizing and inheritance planning to name a few.

**Needs in later life are difficult to predict**

We know that fewer than three in ten people at retirement age have a plan for how they would manage their finances if they were to suffer ill health.\(^{49}\) Evidence shows that the number of people aged 85 and over needing 24-hour care is projected to double between 2015 and 2035\(^{50}\). Without plans in place, older people will have fewer choices and potentially poorer outcomes.

Meeting potential care needs in later life is a major and unpredictable cost. Funding care needs, and the wider health and care system, can be complicated and difficult to navigate. Many people wrongly assume that they are already paying for future social care needs through tax and National Insurance.\(^{51}\)

We also know that other financial actions or products that can make later life easier, like granting power of attorney, are still far from universal, and while a significant minority of people over 65 are aware enough to think about these needs and plans, many fewer have sought help or taken action.

**Extent of planning for later life among people aged 65+**

<table>
<thead>
<tr>
<th>Activity</th>
<th>Not done anything</th>
<th>Thought about it</th>
<th>Talked to someone</th>
<th>Started doing something</th>
<th>Have it</th>
</tr>
</thead>
<tbody>
<tr>
<td>Know how they will pay funeral costs</td>
<td>9%</td>
<td>6%</td>
<td>2%</td>
<td>1%</td>
<td>83%</td>
</tr>
<tr>
<td>Have an up-to-date will</td>
<td>12%</td>
<td>16%</td>
<td>7%</td>
<td>2%</td>
<td>67%</td>
</tr>
<tr>
<td>Have power of attorney</td>
<td>38%</td>
<td>19%</td>
<td>7%</td>
<td>1%</td>
<td>36%</td>
</tr>
<tr>
<td>Considered cost of long-term care</td>
<td>43%</td>
<td>43%</td>
<td>18%</td>
<td>5%</td>
<td>Not Applicable</td>
</tr>
</tbody>
</table>

**People in retirement can struggle with money issues but do not always claim benefits they are entitled to**

Approximately four in ten people in retirement (42%) are not satisfied with their financial circumstances and 26% find keeping up with their bills or credit commitments a burden.\(^{52}\) One in six pensioners in the UK is currently living in poverty. Nearly one million people aged 65 and over have had to cut back on food shopping to cover the cost of utility bills.\(^{53}\)\(^{54}\) Yet, a total of £3.8 billion of Pension Credit and Housing Benefit went unclaimed in 2015/16.\(^{55}\)

It is estimated that 39% of people in retirement who are eligible for Pension Credit, and 19% who are entitled to Housing Benefit, have not claimed, and are missing out on additional income. We know that it is both a lack of awareness and attitudinal barriers that prevent people in retirement claiming their full benefit entitlement.

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49 Understanding Retirement: A deep dive into financial capability among older people – MAS, 2016
50 Forecasting the care needs of the older population in England over the next 20 years – The Lancet, 2018
51 Understanding public perceptions around social care funding, The Health Foundation, 2018
52 Financial Capability Survey 2018 – MAS, 2018
53 Pensioner Poverty Data (analysis of Family Resources Survey) - Joseph Rowntree Foundation
54 TNS omnibus poll of 1119 GB adults aged 65 and over for Age UK – June 2014
55 Income-related benefits: estimates of take-up: financial year 2016/17 – DWP, 2018
Many older people are digitally excluded

Women over 75 and on lower incomes, are among the most digitally excluded.56 Being online can help people access information and guidance and get better deals by shopping around. It also provides a channel to monitor banking and make payments from home. It can therefore help people retain an element of control of their money, in situations where they would instead have to rely on others.

Older people are also vulnerable to abuse and scams

Approximately 130,000 people over 65 who live in the UK have suffered financial abuse and more than £43m of people's retirement savings has been lost to fraud since the pension freedoms were announced in 2015.57 People with reduced or impaired cognitive function are vulnerable to financial abuse. 48% of people in retirement do not feel confident about protecting themselves from financial scams.58

Cognitive ageing and decline may exacerbate problems

At an overall level, older people show relatively high levels of financial confidence. However, financial skills and knowledge can decline with age. This may be due to cognitive ageing – although normal cognitive ageing is associated with improvements in some cognitive abilities it is also associated with a decline in others, including memory, problem solving and reasoning. Declining abilities can present challenges in situations or tasks that are new or require complex decision making. These types of situations are common in financial services due to changes in products and services or changes in environments and channels used. People in retirement are unlikely to have been exposed to the type of decisions they will face in retirement such as managing ongoing investments, funding long-term care and inheritance planning. These are all complex decisions, many of which are irreversible, potentially leaving people vulnerable to poor financial choices and poor outcomes.59

A minority of older people still need to service debts

Those who retire with a mortgage still to pay (around 6% of those aged over 65) or with significant unsecured debts can face particular problems because their income is fixed, and lower than when they were working.

People are living longer

People are living longer than ever before. People aged 85 and over are currently the fastest growing segment of the UK population. In 2016 there were 11.8 million people aged 65 and over in the UK. This number is forecast to reach 15.7 million within the next fifteen years and by 2040, nearly one in seven people are projected to be aged over 75.60 However, improvements in life expectancy are not being matched by improvements in healthy life expectancy, which means that people aged 65 and over are likely to spend more years in ill-health.61

What we know about solutions

Work with groups

Evidence from the MAS What Works Fund showed that many older people, especially those on lower incomes, are interested in maximising their income in retirement. It might be through checking benefit entitlement or switching utility providers. Trainer-led group sessions on these topics led to improvements in mindset and ability and drove behaviour change.62 They also increased attendees' knowledge about how to access advice and guidance.

Evidence from the What Works Fund also shows that trainer-led sessions can be successful in improving digital skills and confidence. Older people are often keen to understand how to use email or online information. And a workshop allows them to learn from both peers and tutors. There is a challenge however in moving the conversation onto financial applications due to fears about privacy and fraud.

56 Digital Inclusion Evidence Review – Age UK, 2018
57 Older People, fraud and scams – Age UK, 2017
58 Financial Capability Survey 2018 – MAS, 2018
61 As footnote 59
62 What Works Fund: Evidence Analysis by Life Stage – PFRC University of Bristol, Ipsos MORI, 2018
Women over 75 on low incomes tend to have lower levels of financial skills and knowledge and may benefit most from this kind of assistance.

**Coordinate services and build in participation**

Evidence from other sectors suggests that interventions are more successful when they are delivered as part of a coordinated effort from all the relevant agencies and stakeholders, from charities to local authorities and product providers. There are many organisations supporting older people and there may be benefits from a more integrated, holistic approach.

Similarly, evidence from other sectors is clear that interventions can be more effective when they involve the people they aim to benefit in their design and delivery: in this case older people themselves.

Age-proofing and improving financial products and services could help. As with any audience, paying attention to language, channels used and providing timely, accurate and accessible advice and guidance are important.

However, there are still many things that we don’t know. We propose that further research and evaluation in this area is a priority for the early part of our three-year Corporate Plan period.

**Interpreting the role of the Money and Pensions Service**

The National Strategy we publish will set out the work we propose to undertake with partners to increase the financial capability of people in retirement.

Pensions decisions will continue throughout retirement, and our pensions guidance function will support these.

Debt advice is also relevant to a significant minority of people in retirement.

We have been given a remit to support Government and the Financial Conduct Authority to protect consumers. We propose to work with partners to gather evidence to further understand why older people become victims of scams and financial abuse and what can be done to safeguard them – by equipping older people, and their families, to recognise and deal with scammers and financial abuse, and by stopping abuse in the first place, building on the ban on pensions cold calling.

**Opportunities and priorities**

Looking ahead to our corporate plan period, we propose that research and evaluation should be a higher priority in this area than some others. We need to better understand the mindset, skills and other barriers that prevent older people from planning ahead for how they might fund long term care or manage their finances if they were to suffer ill health. The Fuller Working Lives Strategy aims to extend working lives to improve the incomes of older people, and pension freedoms aim to give them more flexibility. Both of these policies are relatively new and the impact they have had on the financial capability of people in retirement and consumer outcomes is not clear. So more evidence needs to be gathered to understand the impact of these two policies on consumers.

A ‘Later Life Review’

The launch of DWP’s midlife MOT microsite this year begins to open up and test the concept of ‘life reviews’ at key ages. If this is successful, the evidence it provides could give the Money and Pensions Service and stakeholders the opportunity to make the case for a ‘later life review’ (that covers health, legal matters and finances), which in turn could have a positive impact on the financial capability of people in retirement. This approach is favoured by the Financial Capability Strategy’s People In Retirement Steering Group. However, much evidence (of effectiveness and costs versus benefits) would still need to be gathered to make the case for such a policy.

**Age-proofing of financial products and services**

We propose to build on the Money and Pensions Service’s forthcoming Financial Services Landscape Review (May 2019) to work with industry and the wider ecosystem to improve financial products and services for older people. We propose to gather evidence of what works with a focus on language and channels used and providing timely, accurate and accessible advice and guidance.
Questions for the listening phase

For people in retirement:

32. Do you agree with our analysis of the issues?
33. What outcomes do you think we should focus on?
34. Have we highlighted the right priorities for action?
35. Should we seek to influence the wider policy and regulatory context, and in what areas?
36. How can we ensure that people in retirement who are digitally excluded get the help and guidance they need?
37. What are the merits and challenges associated with developing a Later Life Review?
Northern Ireland, Scotland and Wales
The role of the Money and Pensions Service and the outcomes we want to see

The Act establishing the Money and Pensions Service requires us to work closely with the devolved authorities on the provision of information, guidance and advice to members of the public in Northern Ireland, Scotland and Wales. This is one of our five overarching objectives.

Our strategic remit, our remit to deliver money and pensions guidance, and our remit to support consumer protection, are all UK-wide. So the outcomes we propose as strategic goals in the sections above would apply equally to England, Northern Ireland, Scotland and Wales.

To achieve these outcomes, we will have to understand the similarities and differences in each country in order to understand what needs to be tailored at a policy and delivery level. This has implications for the research we do, the way we design services, and how we work with people to deliver services.

The Act also devolved debt advice funding to Northern Ireland, Scotland and Wales while making clear that the Money and Pensions Service has a responsibility to lead strategically on debt advice. This means agreeing common goals, and both gathering and sharing evidence and best practice across the four nations of the UK.

The Act requires the Money and Pensions Service to develop and coordinate a ‘national strategy’. This raises some important questions for the devolved nations, because the Money Advice Service previously delivered separate financial capability strategies in Wales and Scotland (though not in Northern Ireland), to ensure the policy differences were reflected adequately in each country. It also summed up the main evidence and knowledge in a UK-wide Financial Capability Strategy (see the lessons learned chapter later in this document).

Is it still desirable to have strategies for each nation as well as a National Strategy? And whatever the substance of the National Strategy, should those words be used in its final name, as this may potentially cause confusion in devolved nations?

The Welsh Language Act 1993 gives the Welsh and English language equal status in public life in Wales. It places a duty on the public sector to treat both languages equally when providing services to the public. As a new body we will prepare a Welsh Language Scheme, setting out how we propose to deliver services in Welsh. A key aim as a result of this would be to make our Welsh-language content as accessible as possible to Welsh speakers.

What we know about the problem

The challenges of people making the most of their money and pensions are UK-wide. Based on the 2018 Financial Capability Survey, none of the four nations has a population with dramatically better or worse financial capability, and most measures vary by a range of no more than +/- 4% across all four nations. However, there are some notable differences that we think should inform our thinking, which we set out in a table on the next page.
The table below shows some of the key aspects of financial capability measured in the 2018 UK-wide survey. Green and yellow show where people in a devolved nation show a variation from the UK average that is at or more than 5%. Rows in grey show where populations across the different nations are very close to showing the same characteristics.

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>Scotland</th>
<th>Wales</th>
<th>NI</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Day-to-day money management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rarely or never save.</td>
<td>21%</td>
<td>20%</td>
<td>24%</td>
<td>24%</td>
</tr>
<tr>
<td>Have less than £100 in savings and investments.</td>
<td>22%</td>
<td>26%</td>
<td>27%</td>
<td>28%</td>
</tr>
<tr>
<td>Often use a credit card, overdraft or borrow money to buy food or pay bills because they have run short of money.</td>
<td>17%</td>
<td>15%</td>
<td>14%</td>
<td>11%</td>
</tr>
<tr>
<td><strong>Over-indebtedness</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Are over-indebted</td>
<td>17%</td>
<td>14%</td>
<td>16%</td>
<td>16%</td>
</tr>
<tr>
<td><strong>Planning ahead</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Could last three months or more without borrowing if they lose their main source of income.</td>
<td>49%</td>
<td>53%</td>
<td>51%</td>
<td>49%</td>
</tr>
<tr>
<td>Have a plan for financial goals for the next five years.</td>
<td>53%</td>
<td>48%</td>
<td>48%</td>
<td>47%</td>
</tr>
<tr>
<td>Do not feel that they understand enough about pensions to make decisions about saving for retirement. (18-64 only)</td>
<td>55%</td>
<td>54%</td>
<td>57%</td>
<td>61%</td>
</tr>
<tr>
<td>Are not engaged with how they would manage financially if they need to go into long-term residential care. (65+ only)</td>
<td>43%</td>
<td>40%</td>
<td>33%</td>
<td>48%</td>
</tr>
<tr>
<td><strong>Accessing information, guidance and advice</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Know of organisations and websites that can offer free or affordable financial information, help and support.</td>
<td>58%</td>
<td>59%</td>
<td>56%</td>
<td>58%</td>
</tr>
<tr>
<td>Did not seek financial help or support for life-events or situations experienced in the last 12 months (working-age only)</td>
<td>59%</td>
<td>61%</td>
<td>58%</td>
<td>65%</td>
</tr>
<tr>
<td>Have used the internet for online or mobile banking</td>
<td>69%</td>
<td>66%</td>
<td>67%</td>
<td>63%</td>
</tr>
<tr>
<td><strong>Confidence</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do not feel confident making decisions about financial products and services.</td>
<td>47%</td>
<td>46%</td>
<td>51%</td>
<td>51%</td>
</tr>
<tr>
<td><strong>Sense of control</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Do not feel they can determine what happens in their lives when it comes to money.</td>
<td>63%</td>
<td>64%</td>
<td>67%</td>
<td>71%</td>
</tr>
<tr>
<td>Do not focus on the long term when it comes to money</td>
<td>61%</td>
<td>66%</td>
<td>62%</td>
<td>67%</td>
</tr>
</tbody>
</table>

Note: because England comprises the vast majority of the UK population, the UK average and the results for England are almost always identical.
It can be seen from the table that:

- people in Northern Ireland are more cautious about using credit for everyday spending;
- older people in Wales are notably more engaged with the issue of their own long-term care;
- results for the population in Scotland and the UK average are very similar;
- the greatest differences are between Northern Ireland and UK average; and

the two biggest areas of thematic difference between the devolved nations as a whole, and the UK average, are about the extent to which people plan for the longer term.

Of course, just because people have similar challenges with money, debt and pensions, this does not mean a single solution will work anywhere in the UK. Different laws, different social attitudes, different institutions and different social policies mean that the work the Money and Pensions Service will do will need to be carefully developed within the four nations, or carefully adapted from one to another.

What we know about solutions, opportunities and priorities

In each of the devolved nations existing policies provide ‘levers’ that can make our work have a greater impact by fitting in with the work of other organisations.

And existing structures developed by the Money Advice Service provide ways of organising and communicating with the many stakeholders who deliver on these policies.

Policy levers in Wales

The Well-being of Future Generations (Wales) Act 2015 is designed to improve the social, economic, environmental and cultural well-being of Wales. It places a wellbeing duty on public bodies (including local authorities and the Welsh Government) to set and publish objectives to show how they will achieve the vision for Wales set out in seven wellbeing goals in the diagram. This gives the Money and Pensions Service an opportunity to work in support of the Act but also a hook for ourselves and our partners to show how financial capability can support the aims of other public bodies in Wales and improve the wellbeing of future generations.

The Welsh Government’s Financial Inclusion Strategy, published in March 2016, sets out how they aspire to join with partner organisations – both within Wales and at the UK level – in working towards a more financially inclusive society in Wales.

The Wales Financial Inclusion Delivery Plan, which covers the period up to 2021, focuses on the practical actions necessary to achieve this vision.
Policy map for Wales – showing links to financial capability

Cross-cutting strategic themes for Wales: prosperous and secure; healthy and active; ambitious and learning; united and connected; adverse childhood experiences
Policy levers in Northern Ireland

A Draft Programme for Government (PfG) has been developed which would be the basis of policy for the period 2016–2021. Of the 42 outcomes stated in the PfG, outcome 28 ‘to increase the confidence and capability of people and communities’ has the most relevance to financial capability and money management.

Following the devolution of debt advice to the Northern Ireland Executive, the Department for Communities have stated their intent to develop a joint debt and financial capability strategy. This would provide opportunities for collaborative working alongside the National Strategy.

Policy levers in Scotland

The Fairer Scotland Duty has been in operation since April 2018. The duty is a new legal responsibility on Scottish Ministers and local authorities, the NHS and other public bodies to actively consider what more can be done to reduce inequalities of outcome, caused by socioeconomic disadvantage, when making strategic decisions.

Every child, every chance: tackling child poverty delivery plan is the first Child Poverty Delivery Plan due under the Child Poverty (Scotland) Act 2017, outlining action for the period 2018-22. It includes a range of preventative actions – such as a focus on quality of life and partnership working – that help children and young people avoid becoming parents in poverty by 2030. Actions include investment into a fund to allow access to affordable credit; a financial health check; and a new income supplement for parents on low incomes.

Our current ways of working in Northern Ireland, Scotland and Wales

Northern Ireland, Scotland and Wales each has a stakeholder forum that meets quarterly. In Scotland and Wales this group also acts as the steering group for their existing financial capability strategies. Forums act as a sounding board for the work of the body in each country. They identify where we need to deliver differently and where similarities exist. They provide opportunities to partner with key stakeholders and deliver innovative solutions identified in research and by the groups.

In Scotland, the Money and Pensions Service currently coordinates a Scottish Financial Education Forum, and the Scottish Financial Capability Partnership, which have brought together our key partners and stakeholders to help shape our financial capability work.

In Wales, the Welsh Government and the Money and Pensions Service currently jointly fund three practitioner forums (north, west and south Wales) that meet quarterly. These forums facilitate and encourage participation from a diverse and inclusive range of organisations across Wales with a common interest in the financial capability and inclusion agendas. They are a recognised and trusted source of information sharing, networking and good practice. Members are aware of and are encouraged to input into financial capability and inclusion strategies, calls for evidence and surveys either collectively or as individuals as appropriate. They also promote financial capability events, training and meetings for practitioners, decision makers and policy makers across Wales.

The Money and Pensions Service is also a member of the Wales National Advice Network, a ministerial group that provides advice to the Welsh Government on policy requirements to improve access to good quality social welfare law information and advice services from prevention to crisis.

We believe that these forums, and the model they represent, will be powerful mechanisms to implement the competency framework we are developing for money guidance practitioners across the UK.

Some key priorities we propose for ways of working with the devolved nations

Debt advice delivery and strategic coordination

We will work with devolved governments to ensure they are able to influence and join the Debt Target Operating Model if they wish to.

In Wales, we propose to champion the need for prevention of financial difficulties through the National Advice Network and through advice providers, working with the Information and Advice Action Plan.

Understanding similarities and differences

In order to know how to deliver effectively in the devolved nations, we propose that the Money and Pensions Service continue to gather data and insight in such a way that it can be used by people in Northern Ireland, Scotland and Wales to design and deliver services relevant to local needs. This includes supply and need data about debt advice, but would include other major research such as the Financial Capability Survey.
Communicating with and coordinating stakeholders

We propose that we continue to run forums and steering groups in each of the devolved countries. When we have established the goals of the National Strategy, we propose to redesign them to work with local needs and to deliver on those goals.

We propose to strengthen the networks of money guidance practitioners (building on the forums that exist in Wales) that will provide the opportunity to share, collaborate, improve quality and transform outcomes for service users.

As we develop our local partnership teams in England, they will learn from the work we have done with devolved nations, but also may change the ambitions and goals for what we want to achieve in devolved nations as we learn.

Children and young people and working-age commissioning plans

We plan to run children and working-age adult pathfinders in local authority areas in each of the devolved countries.

In Wales, we propose to further develop our work with the Education Department, supporting the development of teacher training in Wales and of the new curriculum. We will build on the 'Talk, Learn, Do' pilot in Wales to further embed support for parents who want to teach their children about money.

Questions for the listening phase

For the Northern Ireland, Scotland and Wales:

38. Should we develop a single UK-wide 'National Strategy', or separate strategies for each nation?

39. What are the benefits and challenges of collaboration on debt advice across the UK given the new devolved debt funding arrangements?
The main lessons learned from the Financial Capability Strategy for the UK

The Financial Capability Strategy for the UK was launched in 2015. A lessons-learned report has been approved by the Financial Capability Board, looking at work over the last three years. The Financial Capability Board has made recommendations for the Money and Pensions Service in order to inform our future strategies and activities.

The Financial Capability Board, comprised of influential figures from a variety of sectors, was set up in 2015 to work closely with the Money Advice Service Board, and with steering groups, to provide governance, review progress and give a steer on the overall approach.

This chapter summarises the key findings from its lessons learned report.
Overview

MAS interpreted its legal remit to include coordination of a Financial Capability Strategy for the UK, which it published in 2015. It set an expectation that progress would unfold over a period of 10 years, through to 2025. Wales and Scotland developed complementary financial capability strategies, building on the same learning and organising stakeholders in similar ways. There was a plan to develop a complementary strategy for Northern Ireland, but for various reasons this did not take place.

The Financial Capability Board’s central conclusion, which runs through the lessons-learned document, highlights the need for the next phase of the 2015 strategy to turn evidence into action.

In assessing whether the 2015 strategy has delivered as expected, two points should be borne in mind:

- First, the 2015 strategy laid out a 10-year timeline to 2025, and the lessons learned report takes stock only three years into the programme of work.

- Second, the 2015 UK-wide strategy did not set specific goals, targets or outcomes. In part this was because limited evidence about the impact of interventions on financial capability made it difficult to assess what would be a challenging yet realistic outcome.

The 2015 strategy, and subsequent discussions at the Financial Capability Board, did nevertheless set some expectations about how activities and initiatives would build towards improving financial capability. These expectations coalesced around five pillars. The table on the next pages sets out these pillars, what has been achieved over the last three years, and how progress has been perceived by stakeholders (especially as measured in an Ipsos MORI stakeholder evaluation).
<table>
<thead>
<tr>
<th>Pillar of the 2015 strategy: within 2–3 years, the collective work on the 2015 strategy should...</th>
<th>Progress made</th>
<th>What the Ipsos MORI stakeholder evaluation tells us</th>
<th>Status</th>
<th>Recommendations (refers to numbered recommendations on following pages)</th>
</tr>
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<tbody>
<tr>
<td>1. Cement the role of a single organisation (MAS) as thought leader and backbone organisation for the 2015 strategy</td>
<td>The Financial Claims and Guidance Act 2018 has absolutely cemented the role of a single backbone organisation by setting it in law.</td>
<td>The role of MAS in supporting implementation of the 2015 strategy was acknowledged by stakeholders, who were positive about MAS support, intellectual input and communication.</td>
<td>21, 22, 23</td>
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<tr>
<td>2. Establish effective governance and communication structures</td>
<td>The 2015 strategy resulted in the setting up of a number of mechanisms to coordinate the activities of a wide range of organisations involved in delivering the 2015 strategy – e.g. Financial Capability Board, steering groups, Talk Money Week, newsletters, website (fincap.org.uk). There was however some confusion about respective roles of MAS Board and the Financial Capability Board. And there was confusion about whether people on all of these groups were participating in advisory, responsible or accountable roles. This is addressed in more detail in lessons learned below.</td>
<td>The steering groups are seen as effective at bringing people together from across the sector. There was however a perceived disconnect between the Financial Capability Board and steering groups, and calls for greater clarity on steering group role and remit, as well as responsibilities of individual members. Talk Money Week is widely judged by stakeholders to be a powerful platform and an essential addition to the yearly calendar.</td>
<td>5, 9, 10, 11, 12, 13, 14, 15, 16</td>
<td></td>
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<tr>
<td>3. Build the evidence base needed to better understand the problem and evaluate solutions that could address it</td>
<td>Major work has been undertaken (e.g. the Adult and Children and Young People surveys, What Works Fund, evidence reviews). Inevitably gaps remain in specific areas. MAS took a lead in promoting good practice through: - coordinating research and evaluation across the sector to ensure resources are targeted at filling key evidence gaps - developing a common Evaluation Toolkit to help providers consistently measure and report outcomes, through an evidence website, principles for gathering and sharing insight, and question banks to help gather insight in consistent ways).</td>
<td>Improvements in both the range and quality of evidence and insight are seen by stakeholders as the biggest change in the financial capability context since the 2015 strategy was launched. Stakeholders described evidence and insight as a useful tool to check whether activities would meet evidence-based need; this also helped them make decisions about whether to continue with activities. Evaluation found strong evidence of stakeholders using the Evaluation Toolkit (Evidence Hub, Impact Principles, Outcome Frameworks) to design and track activities. There is, however, a hunger for simplification and more easily digestible, action-focused summaries from the evidence base, especially as it grows.</td>
<td>1, 2, 3, 4, 33, 34</td>
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</tbody>
</table>
Pillar of the 2015 strategy: within 2-3 years, the collective work on the 2015 strategy should...

<table>
<thead>
<tr>
<th>Progress made</th>
<th>What the Ipsos MORI stakeholder evaluation tells us</th>
<th>Status</th>
<th>Recommendations (refers to numbered recommendations on following pages)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some significant progress has been made (e.g. 100 signatories to the Impact principles, PwC employee wellbeing events given impetus because of Talk Money Week, JP Morgan Foundation making use of What Works Fund evidence to drive funding decisions). Several organisations have said that they changed their approach / interventions / funding as a result of the 2015 strategy and the evidence behind it. Organisations are much more likely to include impact-based metrics to evaluate interventions than was the case in 2015. And organisations are increasingly keen to pilot ideas from the Financial Capability Lab with their customers.</td>
<td>Evidence has helped organisations plan and validate interventions more quickly than would otherwise have been possible, and given stakeholders rationale and sense of priority for action. The 2015 strategy also seems to have increased the pace at which organisations design and develop interventions.</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>As expected, this hasn’t happened, although the development of the Calls to Action (see below) are a step in the right direction.</td>
<td>Stakeholders see this as a long-term objective. They have expressed realistic expectations about what could have been achieved in the first three years of the 2015 strategy.</td>
<td></td>
<td>6, 7, 17, 18, 19, 20</td>
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</table>

In addition, we have made some recommendations that do not map neatly onto the pillars above: 24, 26–32

The Financial Capability Board’s overview of progress to date

The 2015 strategy has laid solid groundwork for the future. It did not set out to bring about large-scale changes to the financial capability of people in the UK in just three years; nobody would realistically have expected it to do so.

However, the conclusion of the lessons learned report is that the next phase needs a step change in approach, not simply a continuation of what has happened to date. At the end of the three-year period, there are five Calls to Action – which represent important goals – but as yet there are no firm plans to reach them, nor any that rely on new forms of coordinated action between stakeholders.

A key conclusion of the lessons learned report is that the current mix of governance, communications, evidence gathering, initiatives and interventions does not provide the levers to drive the sort of fundamental change everyone wants to see.

So while the report recommends building on what has been achieved over the last three years, it also makes recommendations to generate a different scale and pace of coordination. This should, in turn, drive large-scale impacts on consumers in the foreseeable future.
Recommendations

This listening document only extracts the recommendations. Please see the full document for the context, analysis and lessons learned that have led to these conclusions.

<table>
<thead>
<tr>
<th>Recommendations for the National Strategy</th>
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<tr>
<td>Recommendations for the National Strategy</td>
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</table>
Questions for the listening phase

For the National Strategy:

40. What are your reflections on the recommendations from the Financial Capability Strategy for the UK ‘lessons-learned’ report?

41. How do we ensure that organisations other than the Money and Pensions Service deliver on the plans and towards the coordinated goals of a National Strategy?

42. We have outlined some design principles and suggestions for possible governance models. Do you agree with these design principles? What other governance models do you think could be effective in helping to deliver the National Strategy?

43. We recommend that the National Strategy needs a sustained, long-term perspective if we are truly to achieve a transformation in financial capability. Short timescales may only lead to tactical efforts, but long timescales may dilute the sense of urgency and responsibility from senior leaders. What is the right planning horizon for the National Strategy: 5, 10 or 20 years?
Our priorities for bringing together our direct services

In this document to date we have set out our understanding of the Act that established the Money and Pensions Service (why we exist) and examined, life stage by life stage, what we believe are the key money, debt and pensions problems that consumers face.

We believe that our service design and customer propositions should be shaped by our duties in law and our knowledge of consumer needs. In other words, form should follow function.

This short chapter sets out some of the issues we will need to consider as we shape the people, knowledge and assets that came from three previous organisations into a whole that can deliver more than the sum of its parts.
Multiple assets and services

The catalogue of ‘assets’ to be combined includes:

- Six websites (pensionwise.gov.uk; pensionsadvisoryservice.org.uk; moneyadviceservice.org.uk; fincap.org.uk; singlefinancialguidancebody.org.uk, and a microsite branded for the Standard Financial Statement).
- Two telephone contact centres (from TPAS and the Money Advice Service), both also offering webchat, and one offering a specialist number for the self-employed.
- Debt advice funded and indirectly delivered, through many other brands and organisations.
- And importantly, five statutory functions as set out in the Act.

The fundamental principle behind the Money and Pensions Service is the ability to focus on the different money needs of the same customer. It should be easier to help consumers throughout their money lives, now that these different offers will come from one place, one knowledge base, and one strategy.

Parliament has approved a new name for us. So we need to decide how much to combine our brands, for the sake of efficiency; simplicity for consumers; and so that referral partners find it easy to explain where to go.

But there may come points where too much combination becomes counter-productive. The list of issues below illustrates some of the considerations we may face:

- Will people call a telephone service labelled with a broad money offer, to seek quite technical guidance on a pensions issue?
- Will a broad money and pensions offer attract a wide range of people if it is also understood to help people in severe debt?
- Should we seek to capture ‘cradle to grave’ customer data to make positive referrals to individual people at their key life stages?
- If the purpose of the money guidance levy is to assist consumers to improve their abilities across all areas of money management, can it be used (for example) to market to them the benefits of very specific pensions guidance?
- Is there any merit in considering a single consumer-facing brand as an entry point to debt advice?

Principles for the future of our direct services

Regardless of how we respond to the particular challenges outlined above, we propose some principles for the future of our direct services.

We will:

- base changes we make on customer research and customer testing;
- retain the Pension Wise, TPAS and MAS brands during 2019/20 as points of entry for customers to ensure a seamless service;
- in the longer term, continue to provide information and guidance via a range of channels;
- integrate services to better respond to customer needs;
- work with a range of partners to maximise access to guidance for people in need of it;
- be more efficient, and use that efficiency to raise awareness and increase the capacity of our services;
- build a smoother customer journey for UK consumers who need help with different financial decisions at different points in their life;
- develop, share and use our holistic view of our customers to provide more responsive services that fill gaps; and
- use our role as a provider, commissioner and collaborator to embed and spread effective practice.
Questions for the listening phase

For the direct services, brands and assets:

44. What are the advantages and disadvantages of keeping specialist brands, compared with one overarching customer-facing brand?

45. How can the Money and Pensions Service best support other providers of guidance, help and information through different channels?
Measuring success

We believe that both the National Strategy and our three-year Corporate Plan should set out how both progress and success can be monitored and measured – in the short, medium and long term. This chapter sets out some of the issues that we will come across when trying to predict and measure the work we do, and seeks your input and views.
Operational performance indicators, reach, quality, and outcomes

To be an efficient and effective organisation we think that our three-year Corporate Plan will need to set out three types of measures, which are enablers for the fourth and final measure: outcomes.

Outcome measures in our three-year Corporate Plan could be shared with, or different from, outcome measures in the National Strategy.

<table>
<thead>
<tr>
<th>INTERNAL MEASURES</th>
<th>CUSTOMER MEASURES</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operational performance indicators</strong></td>
<td><strong>Reach measures</strong></td>
</tr>
<tr>
<td>Operational performance indicators will be needed to check the internal workings of our business, diagnose problems, and drive continuous improvement.</td>
<td>When we serve customers, we can measure our reach generally, and into particular target groups who most need the services we are offering.</td>
</tr>
<tr>
<td>Our operational performance is the enabler for us to deliver our work and serve customers.</td>
<td></td>
</tr>
</tbody>
</table>

Illustrative examples:
- the response time of our digital services
- how quickly we process invoices or run procurement processes;
- how much it costs us to recruit new members of staff;
- how quickly our contact centres answer calls; or
- how comprehensively or accurately our funded debt advice partners have returned the information and data we require of them.

<table>
<thead>
<tr>
<th><strong>Quality-of-service measures</strong></th>
<th><strong>Outcome measures</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>We will usually want to link reach measures to quality measures.</td>
<td>Outcomes should be the final arbiter of our success. By outcomes we mean benefits to consumers, or wider society.</td>
</tr>
<tr>
<td>Quality is important, and can drive continuous improvement, but we see it as an enabler of outcomes, not the outcome itself.</td>
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<tr>
<td>Many quality measures depend on customers’ own view of whether they were helped or satisfied. It can be helpful to put in place additional measures that look at the transaction or process from an objective viewpoint.</td>
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</table>

Illustrative examples:
- A user has used our contact centre – were they satisfied with what they received?
- A person has visited our website – would they recommend it?
- A stakeholder subscribes to our newsletter – did they consider it useful?
- A Pension Wise session has taken place – did the adviser cover the correct points with the person they were talking to?

Illustrative examples:
- consumers taking better financial decisions; or
- changes in consumer knowledge, attitudes, behaviours or actions that will help them to manage their money and pensions better.

This is all easy enough in theory – but in practice, we will face some challenges as we move from left to right in this chain.

**Operational indicators** and **reach measures** we expect to be reasonably easy to quantify and count; probably the biggest challenge is choosing the right ones, and the right range, in order to avoid excessive bureaucracy in collection and analysis. Another important challenge is deciding which segments we want to target within our reach, and knowing when people within those segments have used our services.
Quality can be measured for the guidance services we deliver directly, and without too much difficulty. However, customer satisfaction, or willingness to recommend, becomes complicated for free guidance services. For information services, a high level of satisfaction may simply indicate that the service is not ‘broken’ in any way. Or, alternatively, the customer may have been given the correct guidance for their circumstances, but be dissatisfied with what it means they have to do. In that circumstance, they may not be satisfied but the service will be of a good quality.

The other aspect of quality that is very challenging to measure is our work with other organisations, rather than consumers. We expect to work with other guidance and financial capability organisations to help them improve what they do. This will never be a large number, and different people within the same organisation will have different perspectives on our work, so finding and surveying the ‘right’ person is not a simple task. And the ways in which we work with each organisation may very different, leading to difficulties in standardisation, which is the essence of measurement.

We expect the measurement of outcomes to be a still greater challenge, for four reasons:

1. One person’s outcome is usually somebody else’s enabler. Or it will link to something else that happens in a person’s life, which may be positive or negative. For example, if more consumers are confident enough to plan for their retirement, is that a good outcome, or is it merely an enabler to higher levels of savings into pensions, the ‘real’ outcome? If so, which outcome should we aim for? Or if someone gets good debt advice that provides immediate short-term stabilisation, but within a year needs to return to debt advice because their income is simply too low for the essential expenses of everyday living, which event should count as the outcome? Many judgement calls and assumptions become embedded in the choice of outcomes.

2. Some of the outcomes we are likely to value, such as a change in money management behaviour, may need to be measured over, or after, a long period, in order to be considered truly effective. Measurements that involve long-term follow-up are typically costly, and fraught with practical difficulties of keeping in touch with a cohort of people.

3. Sometimes doing nothing is a good outcome. Someone who has accessed a Pension Wise session, for example, may come to an informed conclusion that their current pension provider is the best fit for them. But if nothing has changed, that’s both harder to measure, and harder to distinguish from a poor outcome with the same result.

4. Everything to do with people’s money can be affected by macro-economic factors, so predicting the actual targets for outcomes, when we can’t predict the economic future of the UK, has an obvious flaw.

These difficulties are not unique to the Money and Pensions Service. They are shared by many other public sector organisations. We want to learn from your experiences and solutions during the listening phase.

Outcomes achieved in partnership with others

The very principle of the National Strategy is that the Money and Pensions Service should develop it, and then coordinate others to help deliver it. This raises some difficult questions about accountability.

Should the Money and Pensions Service set National Strategy targets (for outcomes, or indeed any other kind of measure) that depend only on its direct funding, and are within its direct levers of delivery and control? If so their ambition will fall seriously short of what everyone hopes can be achieved through a National Strategy.

Or should the Money and Pensions Service set National Strategy outcome targets that it believes can only be achieved by partnership with others? If so, they can be more ambitious, and will be suitable to drive a National Strategy, but our dependency on completely separate organisations to make important, wide-scale changes challenges the concept of accountability.

We believe we need to establish the second type of outcome target for the National Strategy, but we need to find a way of doing so in such a way that accountability is neither eroded nor wrongly designated.
Some outcome measures we are considering

Earlier sections of this document embed and echo two major pieces of thinking about outcomes that were carried out in 2018/19.

The calls to action

The calls to action were developed by the Financial Capability Board, drawing on data and evidence supplied by MAS. They were launched during Talk Money Week 2018. They set an ambition for change by December 2021.

The five calls to action

<table>
<thead>
<tr>
<th>Theme</th>
<th>Call to Action</th>
<th>2021 Ambition</th>
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<tbody>
<tr>
<td><strong>1. Savings</strong></td>
<td>10.7m adults don’t save regularly, and 11.5m have less than £100 in savings to fall back on. We want everyone to save money regularly.</td>
<td>We want 1 million more adults to be saving by 2021.</td>
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<td><strong>2. Credit</strong></td>
<td>9m adults often borrow to buy food or pay bills. We want to see a fall in the number of people relying on credit for everyday essentials.</td>
<td>We want 1 million fewer people to be relying on credit for everyday essentials by 2021.</td>
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<td><strong>3. Debt</strong></td>
<td>8.3m people are over-indebted but less than a quarter seek help. We want everyone who needs it to be able to get free and effective debt advice.</td>
<td>We want 500,000 more people a year to get free and effective debt advice.</td>
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<td><strong>4. Retirement</strong></td>
<td>22m working-age people say they don’t know enough to plan for their retirement. We want everyone to have the support they need to make informed decisions about their retirement.</td>
<td>We want 2m more working age adults to say they understand enough to make informed decisions about their retirement.</td>
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<td><strong>5. Financial Education</strong></td>
<td>Only 52% of 7-17 year olds said they receive some form of financial education in school, at home, or in other settings. We want all children and young people to have a meaningful financial education.</td>
<td>We want 60% of 7- to 17-year-olds to receive a meaningful financial education, delivered in settings appropriate to their needs. We want a better understanding of financial education in early years and in supporting the transition to work.</td>
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The five calls to action were chosen because the Financial Capability Board believed that the work required to achieve each call to action would entail working on related, but subordinate issues (such as the development of knowledge and skills). Therefore the calls to action as a whole would act as a catalyst throughout the hundreds of organisations working on financial capability.

The calls to action were established as broad-brush ambitions. Further work and thinking has been done for four of the five calls to action, to think through the art of the possible, based on detailed analyses of survey data. This has produced detailed percentage targets that could be achieved and measured over the longer term. They include assumptions embedded about policy change and partnership working, so they are not targets that the Money and Pensions Service could achieve through its own funding alone.

Call to action: saving

*We want everyone to save money regularly*

We have developed a detailed, survey-based measure. Currently 58% of ‘financially struggling’ and ‘financially squeezed’ adults regularly put money into savings. Earlier in this document we propose that this could increase to 62% by 2023. We have looked at the number of people within the struggling and squeezed segments who are above the bottom quintile of the population on the income scale, have a surplus of money at the end of each month, but do not save with any regularity. They are our target group for change, about 810,000 people.
Call to action: credit

We want to see a fall in the number of people relying on credit for everyday essentials

Currently 21% of ‘financially struggling’ and ‘financially squeezed’ adults often use credit for everyday spending. We propose that this could decrease to 12% by 2023. We have looked at the number of people within the struggling and squeezed segments who are above the bottom quintile of the population on the income scale, have a surplus of money at the end of each month, and who use credit for everyday essentials. They are our target group for change – about 1.9m people.

Call to action: debt

We want everyone who needs it to be able to get free and effective debt advice

We have developed a detailed, survey-based quality measure, matching up to the ‘effective’ part of the call to action. Currently 41% of people, a few months after receiving our funded debt advice, report that they are still missing payments on their bills or credit commitments. We propose that by 2023 this percentage could reduce to 32%. Our analysis of the data shows that around two in five of the people who still miss payments either did not act on the advice they received, or could have received better advice. This means there are aspects of the advice journey we can directly improve.

Call to action: financial education

We want all children and young people to have a meaningful financial education

We have developed a detailed, survey-based measure. Currently 52% of 7- to 17-year-olds receive some key elements of financial education that are strongly linked to good financial capability, either at school or home. We propose that by 2023, at least 60% of 7- to 17-year-olds could receive these key elements of financial education in a setting that meets their needs, and by 2025, at least 75%.

Our analysis of current provision, levers within our control, and our estimates of what it might be possible to spend both in direct delivery and influencing, make this percentage increase look challenging but achievable.

Questions for the listening phase

For measuring success:

46. What are your views on the issues we have set out in relation to outcome targets, and accountability, for a National Strategy?
Our priorities for research, insight and evaluation
The Government’s response to the final consultation on the Public Financial Guidance Bill made clear that, amongst other things, the Money and Pensions Service will be expected to conduct research and evaluate ‘what works’ as part of its strategic role. That means an understanding what actually helps people to make better financial decisions; developing a body of evidence to show which projects are successful and which are not; and evaluating the effectiveness of financial education initiatives for young people.64

To achieve this, we believe there are a number of areas of priority work we should pursue.

- **Turning evidence into action** – collecting evidence, however good, is not enough. We need to ensure that it provides an effective platform for action. The role for the research function is to provide robust data, compelling insights and effective communications – arising from all the activities below – that can inspire and inform the broader sector. We expect to create, and disseminate, evidence of national or even international significance, and which other organisations are not in a position to gather.

- **Robust measurement** – to enable both the Money and Pensions Service and the sector to make sound evidence-based decisions we need reliable measurement of customer behaviour, attitudes, motivations and needs. This needs to cover all segments of the population, including the most vulnerable. In many cases, we should aspire to a sample size that allows us to break down reporting at the level of individual nations or demographic sub-groups. This means that these projects are typically large scale and use more expensive methodologies e.g. not just via online panels. We anticipate updating the Children and Young People Financial Capability survey and the modelling of over-indebtedness, which can provide estimates down to Parliamentary Constituency or Local Authority level, as well as measures of the demand for, and supply of, debt advice. We are also expecting to maintain the Financial Resilience segmentation and conduct more ‘deep dives’ into the 2018 Adult Financial Capability survey. As well as understanding consumers, we also need to measure the supply side, in other words the provision of debt advice or financial education. We want to be able to analyse this at a local level and report this via spatial mapping software.

- **Diagnostics** – once we understand the landscape we need to understand why people behave in the way they do and what might make this change. This is typically via qualitative or ethnographic methodologies. We would particularly like to explore how the digitisation of money affects how we teach children, and look in depth at the impact of confidence on financial capability.

- **Vulnerability** – understanding who is vulnerable is a clear implication of the Act. The FCA has produced some very useful analyses from its Financial Lives survey. We think there is a need to review this along with other sources of information and develop measures that are most appropriate for the Money and Pensions Service. We must also ensure we fulfil our public sector equality duty responsibilities.

- **’What Works’** – we propose to continue to look at the best ways of generating new ways of improving people’s financial capability and then testing those ideas in both a lab environment and via field trials. Alongside this we believe we should continue to synthesise evidence produced from other evaluations that are relevant to our work, and remain part of the What Works Centre network.

- **Evaluating our own work** – we will need to evaluate the Money and Pensions Service’s own activities and share those findings with the sector.

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**Questions for the listening phase**

For research, insight and evaluation:

47. What should the Money and Pensions Service do to promote the use of evidence in funding decisions and service design across the sector?

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64 Additionally, in the Lords committee session considering the Bill Baroness Buscombe stated ’In order to deliver its objectives and functions effectively, this body, like any other delivery organisation, will need to conduct research to understand the issues it is addressing, test and learn new approaches to determine what works and continuously improve the services it is providing.”
How to take part in our listening phase

Face-to-face meetings

Our listening phase will take place through events and roundtables in cities across the UK from 8 April 2019 to the end of June 2019. We are keen to meet as many of our stakeholders as possible face-to-face. To find out about all the opportunities to do so go to:

Our listening events page

or email

listening@maps.org.uk

Sending us written responses and evidence

We also welcome written responses to this document. You can comment on just one of the questions we have posed, please do not feel you have to comment on all. We request that you use the numbering system for the questions so that we can collate the information easily and effectively. We request all written responses by midnight on Sunday 30 June 2019. Please email them to listening@maps.org.uk. We will appreciate submissions in word format, rather than PDF or scanned format, as this makes it very easy to copy and paste the information you provide, and will make it easier to share and consider your views internally.
Annex 1: Raising the quality of money guidance through frontline practitioners

People across the UK should be receiving good quality money guidance and help regardless of where they go to get it. Today we have thousands of practitioners, many of who don't recognise themselves as giving guidance and some of whom won't be aware of the boundary with regulated advice. There is no common view of what good looks like. Practitioners range from volunteers, community workers and general advisors to those who provide money management support all day, every day. The work is often undervalued and there are too few opportunities for practitioners to access evidence about how to most effectively improve the money skills of the people they serve.

Our vision is that when our practitioner work is complete, people across the UK who access money guidance will receive it at a consistent and good quality level, leading to better outcomes. Confidence and competence will be raised and there will be a community of engaged organisations and practitioners. We will be able to communicate the latest evidence of good practice with them and they will be able to share good practice with each other.

In 2017 MAS brought together a consortium of some of the key organisations in the diverse money guidance and financial capability practitioner communities in the not-for-profit sector and undertook research to understand more fully what types of practitioner there are, their learning needs and whether a competency framework would be a viable solution to raising the standard of delivery.

Taking on board those recommendations we propose to raise the status and profile of financial capability support and the quality and consistency of its delivery through four key strands:

- Designing and implementing a competency framework for all money practitioners, linked to training and qualifications & developed in collaboration with the financial capability community;
- Building engagement with and creating a financial capability practitioner community so that we can make a difference on the ground, turn evidence into action and understand drivers, challenges and levers;
- Engaging with and garnering support from other key influencers, funders and commissioners; and
- Ensuring that practitioners have access to affordable, quality training and resources.

This work is challenging and complex. It involves navigating, listening to and supporting a complicated and diverse community with hundreds of providers and tens of thousands of practitioners with different opinions and different needs. But the work rests on a common belief that we all share aspirations to help people in the most effective way possible.

Your views on the competency framework

The draft competency framework, which will be at the heart of the four work strands above, has been developed by a specialist competencies and skills organisation in draft form. A cross-sector working group of practitioners has helped to review it, but for it to be fit for purpose it needs to undergo review from a wide variety of stakeholders. So as part of the listening phase Pye Tait Consulting are seeking feedback on our behalf on the framework. There are many ways to get involved: events, interviews and online. View the framework and share your opinions.