The Financial Capability Strategy for the UK:
three-year review of lessons learned and recommendations
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The Financial Capability Strategy for the UK: three-year review of lessons learned and recommendations
About this document

This document has been written for, and reviewed and approved by, the Financial Capability Board.

It summarises lessons learned from the first phase of the Financial Capability Strategy started in 2015 (referred to in this document either as The Financial Capability Strategy for the UK, or ‘the 2015 strategy’) and, based on these lessons, makes recommendations for the forthcoming ‘National Strategy’ (reflecting the language used in the Financial Claims and Guidance Act 2018), which will be published in autumn 2019.

This document should be read alongside the Money and Pensions Service’s Listening Document. Together, these two documents are designed to reflect on work to date, describe the current state of play in improving the financial capability of the UK population, and set out questions for discussion with stakeholders that will enable the Money and Pensions Service to set out both a new National Strategy and a three-year Corporate Plan in autumn 2019.

The Financial Capability Board has made recommendations for the Money and Pensions Service in order to inform its future strategies and activities. Therefore this document sometimes refers to what the Money Advice Service (MAS) has done, and at other times to what the Money and Pensions Service might or should do. None of the recommendations for the Money and Pensions Service is a statement of its future policy; they will be explored by the Money and Pensions Service during its ‘listening phase’ with stakeholders over the summer of 2019.
What is financial capability?

Financial capability is the ability to manage money well – both day-to-day and through significant life events.

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.

There has been an ongoing debate about whether the strategy should focus on financial capability or wellbeing. We concentrate on financial capability in this document because that has been our focus since 2015, and because it is set out as the strategic function for the Money and Pensions Service in the Financial Claims and Guidance Act.

Financial capability is a combination of behaviours, attitudes, skills and knowledge. Our understanding of how these factors interact to improve financial capability is set out in the framework below. It is enhanced by data-driven work on some of these building-blocks, set out in section 1 further on in this document.
Financial capability affects most people at some stage in their lives from childhood to retirement, and has important societal impacts (improving people’s wellbeing as well as making society as a whole wealthier and more productive). This issue is too big for one organisation to tackle on its own, and therefore requires a broad-based, inclusive approach bringing together everyone interested in improving financial capability, including government, financial services, charities and many others.

### The Financial Capability Strategy for the UK: three-year review of lessons learned and recommendations

#### FINANCIAL WELLBEING

<table>
<thead>
<tr>
<th>Current Wellbeing*</th>
<th>Longer term financial security*</th>
</tr>
</thead>
</table>
| • Satisfied with financial circumstances  
  • Keeping up with bills  
  • Finances and emotional wellbeing | • Savings to income ratio  
  • Protection and long term savings products held |

#### FINANCIAL CAPABLE BEHAVIOURS

<table>
<thead>
<tr>
<th>Managing money well day-to-day*</th>
<th>Managing and preparing for life events*</th>
<th>Seeking advice and guidance</th>
</tr>
</thead>
</table>
| • Managing credit use  
  • Active saving  
  • Keeping track | • Building resilience  
  • Working towards goals | |

#### Mindset

<table>
<thead>
<tr>
<th>Mindset</th>
<th>Financial confidence*</th>
<th>Considered spending*</th>
<th>Attitudes to money advice</th>
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<tbody>
<tr>
<td>Financial engagement*</td>
<td>Adaptability*</td>
<td>Willing to talk about money</td>
<td>Attitudes to the future</td>
</tr>
</tbody>
</table>

#### Ability

<table>
<thead>
<tr>
<th>Ability</th>
<th>Knowledge of how to access advice</th>
</tr>
</thead>
</table>
| Financial numeracy* | Credit and problem debt  
  Understanding investments  
  Financial fraud  
  Saving vehicles and pensions  
  Bank accounts  
  Insurance  
  Mortgages  
  Literacy, communication and digital skills |

#### Connection

<table>
<thead>
<tr>
<th>Connection</th>
<th>Access to advice and guidance</th>
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<tbody>
<tr>
<td>Access to financial products</td>
<td>Internet engagement*</td>
</tr>
</tbody>
</table>

* These outcomes contain measures from MAS Building Blocks of Financial Capability which identified key drivers of Financial Wellbeing
Why now?

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 Guidance and Claims Act 2018 established a new body, the Single Financial Guidance Body (recently given by Parliament the consumer-friendly name of the Money and Pensions Service), that took over some duties from MAS and was given new statutory duties. In particular, the Act that established the Money and Pensions Service set out the organisation’s strategic function, which is “to develop and coordinate a national strategy to improve—(a) the financial capability of members of the public, (b) the ability of members of the public to manage debt, and (c) the provision of financial education to children and young people”. The Act also states that, “in developing and coordinating the National Strategy, the single financial guidance body must work with others, such as those in the financial services industry, the devolved authorities and the public and voluntary sectors”.

Given that the Money and Pensions Service is a new organisation we commend it for taking stock of work in progress. And three years after the publication of the Financial Capability Strategy for the UK, a natural review point has been reached. It is therefore both valuable and necessary to review lessons learned now, and make recommendations that can inform the next phase, to turn evidence into action.

Scope and approach

Conclusions in this document have been reached on the basis of the following review activities:

- Re-examining the 2015 UK-wide strategy document, incorporating lessons from devolved administrations (but without reviewing at a comparable level of detail the parallel work in Scotland and Wales under distinct but complementary strategies).

- Reviewing, from a lessons-learned perspective, 38 separate pieces of work, and the work of the distinct governance groups, that were created to support or propel the 2015 strategy. There was a particular emphasis on capturing what has changed since the publication of the 2015 strategy, and what has changed as a result of it.

- Workshops to identify lessons learned with members of the key teams who have worked on the 2015 strategy, and with over 50 stakeholder organisations who have done the same. Again, the emphasis was on what has changed since the 2015 strategy, and what has changed as a result of it.

- Taking full account of the recent Ipsos MORI report evaluating stakeholder views on the 2015 strategy, in which they surveyed 117 stakeholders and interviewed 21 external stakeholders and MAS staff.

The Money and Pensions Service plans to share this lessons learned and recommendations document with a wide range of stakeholders during an intensive listening phase in summer 2019, leading to the development and publication of the National Strategy in autumn 2019.
Overview of lessons learned: the goals of the 2015 strategy – what were they and were they achieved?

The central conclusion that runs through this lessons-learned document is the need for the next phase of the 2015 strategy to turn evidence into action.

The first three years of the Financial Capability Strategy were always intended to be focused on mobilising stakeholders, gathering, and then disseminating, the evidence base.

The diagram below set out a timeline for the 2015 strategy adapted from the FSG’s Guide to Evaluating Collective Impact:

The collective impact timeline set out for the 2015 Strategy

1. Mandate and context phase
2. Mobilisation and capacity-building phase
   - 1. Common Agenda/Goals
   - 2. Measurement tools
   - 3. Mutually reinforcing activities
   - 4. Backbone organisation
   - 5. Continuous communication
3. Intermediate outcomes phase
   - Outcomes and Indicators
   - Consumer impact measures
   - Potential evaluation focus
   - Continuous learning

- The ‘early years’ of collective impact were expected to be about mobilisation and capacity building.
- They would then tip over-into changes within partner organisations (‘intermediate outcomes’ in the ‘middle years’), especially because partner organisations started to act on evidence that had been gathered.
- Then, in the mature phase of a collective impact approach, intermediate outcomes would turn into change, at a large scale, that impacted millions of consumers.
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 this report takes stock only three years in.

- Second, as discussed later in this document, 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 our 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 below 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 the *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 in this document)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cement the role of a single organisation (MAS) as thought leader and backbone organisation for the 2015 strategy</strong></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></td>
<td>21, 22, 23</td>
</tr>
<tr>
<td><strong>Establish effective governance and communication structures</strong></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.</td>
<td></td>
<td>5, 9, 10, 11, 12, 13, 14, 15, 16</td>
</tr>
<tr>
<td><strong>Build the evidence base needed to better understand the problem and evaluate solutions that could address it</strong></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.</td>
<td></td>
<td>1, 2, 3, 4, 33, 34</td>
</tr>
<tr>
<td><strong>Begin to influence organisational behaviours through the evidence gathered, and common buy-in to the goals of the 2015 strategy</strong></td>
<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>
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<tr>
<td><strong>Set population-level targets for change</strong></td>
<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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</tbody>
</table>

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

In section 4 below, we have set out some examples of initiatives that have been successfully implemented (by MAS alone, by MAS in collaboration with others, or by the wider sector). In complementary fashion, the Money and Pensions Service’s Listening Document gives summaries of the state of knowledge about evidence, provision and opportunities that now exist across these areas.

However, the conclusion of this 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 that draw on new forms of coordinated action between stakeholders.

A key conclusion of this 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 this 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.

That is the big-picture view. This report now turns to more detailed lessons learned since 2015, and detailed recommendations that we believe would help the National Strategy ‘turn the corner’ from evidence into action.
Detailed lessons learned and recommendations

This document focuses on ensuring that lessons learned from the last three years are available for incorporation into the National Strategy, in order to make significant progress in the next phase. During our process of reflection we have distilled the essential issues to these 10 thematic areas:

1. Data and evidence – understanding the problem
2. Testing and learning – what works?
3. Leadership and accountability
4. Communications and engagement
5. Strategic objectives, targets and action plans
6. The role of a backbone organisation
7. Levy-funded delivery to customers
8. Debt advice and other strategic and statutory responsibilities
9. Public financial guidance
10. Making the case for financial capability

In each section we have described the lessons learned (what went well, what didn’t go so well), and then set out our recommendations for the future.
The 2015 strategy set the out the need to first develop the evidence base. The rationale for this was that although there was a fair amount of data about financial capability and adults, what that meant in practice was little understood; and there was insufficient data about parents and children. The fundamental research programme therefore took two forms. The first was to better understand the demographics and characteristics of an individual’s financial capability, in both adults and children. The second was to try to better understand the drivers of financial capability, which are a complex amalgam of skills, motivations, knowledge and understanding.

The 2015 strategy therefore envisaged that MAS would be a major contributor to the wider evidence base by developing and sharing insight about levels of financial capability at the UK population level and identifying areas of unmet need – primarily through surveys, supplemented by specialist research.

The timeline below shows the key financial capability-related research projects conducted by MAS since 2015.
Financial Resilience Segmentation
- First market-wide segmentation based on financial resilience
- Can be easily attributed to any survey or customer database
- Clearly identified where interventions would be most beneficial
- Detailed ethnographic qualitative research of Squeezed segment

Over-indebtedness
- Innovative approach to measuring over-indebtedness across UK
- Robust methodology able to cover all segments of the population
- Sufficient scale to allow reporting at devolved nation level
- Nearly 5,000 children (and one of their parents or carers) took part

Numeracy and Financial Capability
- In-depth investigation of numeracy and its links to financial capability
- Highlighted low levels of numeracy in the UK population and links to under- and over-confidence

The Economic Impact of Debt advice
- Quantified economic benefits of debt advice
- Showed a financial return of up to £960m p.a. to UK economy

User needs from debt advice
- Co-creation work with clients, advisers and managers to identify what best practice looks like and what could be improved

Financial Education in Secondary Schools in England
- Identified where and how financial education was delivered and how it might be enhanced

Talk, Learn, Do
- Findings from major parenting intervention in Wales, co-funded by MAS and Big Lottery Wales, reinforced importance of giving children regular money and rules and responsibilities
- Showed inter-generational benefit – significant reduction in over-indebtedness of parents

Adult Financial Capability Survey
- First major financial capability survey since 2005 FSA baseline survey
- Robust methodology able to cover all population segments
- Sufficient scale to allow reporting at devolved nation level

The Building Blocks of Adult Financial Capability
- Data analysis of Adult Financial Capability Survey to identify key dimensions of capability and the inter-relationship of these dimensions

Closing the Savings Gap
- Overview of consumers’ savings attitudes and behaviours
- Provided clear understanding of need for savings buffers, scale of the problem, and barriers and potential solutions

The journey from childhood skills to adult financial capability
- Analysis of 1970 British Cohort Survey (a cohort of 17,000 people born in Great Britain in April 1970, interviewed approximately every seven years)
- Showed clear link between childhood skills and adult behaviours such as saving and credit use
- This link appeared from as young as five years old, highlighting need to support parents and younger children

Right Place, Right Time
- Major study identifying extent to which consumers seek help when making major financial decisions
- Highlighted issue of engagement with guidance

Better debt advice
- Project involving interviews with, and observation of, clients and advisers across fifteen providers of debt advice
- Clearly identified what worked well / less well, with clear conclusions on areas for improvement

Evidence review for debt advice commissioning
- Evidence review of internal and external research to identify existing knowledge and gaps on how to improve debt advice
- Review covered engagement, challenges across the customer journey, wider needs of clients (including financial capability), and opportunities for technology and channel shift

Young adults
- Deep dive on financial capability of young adults, based on Adult Financial Capability Survey, evidence review and qualitative interviews

People in Retirement
- Deep dive on financial capability of older people, based on Adult Financial Capability Survey, evidence review and qualitative interviews

The Financial Capability of Children, Young People and their Parents in the UK
- Largest such UK survey ever conducted of children and their parents
- Robust methodology able to cover all segments of the population
- Nearly 5,000 children (and one of their parents or carers) took part

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Adult Financial Capability Survey
- Update of 2015 Survey, refined some questions and extended coverage of people in retirement
Lessons learned

What went well?
Research since 2015 has significantly improved our understanding of people of all ages. The 2015 Financial Capability Survey built on the 2005 FSA baseline survey, updating it to reflect the focus and objectives of the Financial Capability Strategy. Data from the 2015 survey was used to identify the building blocks of financial capability, and behaviours and enablers/inhibitors to focus on. Key survey questions were included in Outcomes Frameworks and questionnaire banks, designed to help organisations measure changes in people’s financial capability. The 2015 Survey was also used to profile the three macro-segments in MAS’ segmentation model and to feed into the What Works Fund programme.

The 2018 Financial Capability Survey was updated to reflect what had been learned since 2015. In particular this resulted in improved coverage of issues relating to older people in retirement, retirement planning, and information, advice and guidance. The Survey also provided more statistically robust findings for specific life stages, and for devolved nations. The 2018 data was used to update the building blocks of financial capability. The 2018 Survey results informed MAS’ commissioning priorities for children and young people and for working-age adults, and were also used to develop the Calls to Action.
‘Deep dive research’

A number of ‘deep dive’ research exercises have also been carried out over the last three years, covering topics such as budgeting, savings, numeracy and debt. This body of research has significantly enhanced our understanding of adult financial capability in key areas such as budgeting and gender differences (as highlighted in the box below).

Unexpected findings: budgeting research and gender similarities

Budgeting

The research into Defining, measuring and predicting financial capability significantly changed views on the importance of budgeting as an enabler of good financial capability. The initial view was that teaching people to develop and stick to a budget would be the linchpin to their organising money and developing positive behaviours, above all saving.

In fact, further analysis showed that budgeting behaviours are often driven by crises, and that budgeting is used as a temporary tool to manage a financial shock. After the shock, budgeting is abandoned.

Financial capability and gender

The 2015 and 2018 Financial Capability Surveys showed surprisingly few significant differences between women and men’s financial capability in the UK. Women consistently score very slightly lower than men. They do have a slightly more positive attitude towards savings but they fare less well at building up a savings balance – almost certainly as a result of income differences. There is a bigger difference between women and men of most ages with regard to financial numeracy, and there is a marked difference in the financial confidence of younger women.

These findings are unexpected for two reasons. The first is that in other countries, differences between female and male financial capability can be very marked – for example, France, Georgia and the Netherlands had very marked gender differences in financial attitudes – much bigger than those seen in the UK – according to the OECD's 2015 multi-country survey. The second reason is that in the UK women’s financial outcomes are much worse than men’s (for example, the average 65-year-old married man has a pension that’s five times larger than that of a 65-year-old married woman).

The conclusion is that there are many financial disadvantages unrelated to financial capability that affect women’s finances in the UK (for example women hold only 1 out of 6 senior roles at top UK companies; women are more likely to be responsible for childcare and caring for elderly relatives; women are more likely to experience a long-term drop in income after divorce). Given the very large differences in financial outcomes between women and men, financial capability probably can only make a small, but hopefully valuable, difference in helping to close that gap. For that small difference to be made, it would be reasonable to assume that women’s financial capability needs to become significantly higher than that of men.

Financial capability stakeholders participating in the Chartered Institute of Insurance’s Insuring Women’s Futures programme are able to discuss, and work on, these broader societal issues as well as the financial capability dimension of the problem.
Segmentation

There was no segmentation model for adult consumers suitable for assisting with prioritisation. MAS developed a segmentation model to explore how consumer financial capability needs differ and identify areas of greatest need. MAS prioritised two of the three macro segments – the ‘financially struggling’ (approx. 10.2 million people) and the ‘financially squeezed’ (approximately 13.1 million people), and focused particularly on the financially squeezed – while the financially struggling may be in greatest immediate need, they are so focused on ‘just keeping their heads above water’ that they have far fewer practical choices. The financially squeezed segment is also under-served. This segmentation model has proved easy to understand and use, and organisations such as Royal London and NEST have applied it to their own customer base.

Children and Young People’s Financial Capability

Alongside work into adult financial capability, in 2016 MAS carried out the Children and Young People’s Financial Capability Survey for the UK, to better understand current levels of financial capability among children and young people. This research involved nearly 5,000 interviews with a nationally representative sample of children and young people aged 7 to 17. A parent or carer for each child was also interviewed as part of this research, to help understand their role in influencing their child’s financial capability. The survey generated a wealth of data about the financial capability of children and young people, some of which is covered in The Financial Capability of Children, Young People and their Parents in the UK, which was published in March 2017, and with specialised reports for each of the devolved nations later the same year. Further work was then undertaken to understand the key components of children and young people’s financial capability, and to understand key drivers of children and young people’s financial behaviour. This work was very similar to that carried out to understand the building blocks of adult financial capability. It therefore identified the core behaviours, enablers and inhibitors for children and young people. Understanding these relationships helps to identify how and where to intervene to influence and improve children’s financial capability. It will inform both targeting and tailoring of interventions. It fed into a gap analysis comparing current need to financial education provision and evidence about what is likely to be most effective in meeting needs. This, in turn, informed MAS’ children and young people commissioning priorities, laying out how resources can best be targeted to improve children and young people’s financial capability.

What didn’t go so well?

There was probably too much emphasis on generating new research, and not enough emphasis on (or resource allocated to) digestion and distillation. Much more could be done to distil evidence gathered and make it relevant and actionable for a wide range of organisations, particularly in the financial services and commercial sectors.
## Recommendations

<table>
<thead>
<tr>
<th>Recommendations for the National Strategy</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong> The Money and Pensions Service should develop and coordinate a Research and Insights Strategy – to ensure that more resources and focus are applied to provide organisations from a variety of sectors with practical and actionable data, evidence and insight.</td>
<td>The next phase of the National Strategy must demonstrate a clear shift from evidence to action. There is a clear opportunity to leverage the existing body of knowledge more effectively.</td>
</tr>
<tr>
<td><strong>2</strong> The segmentation model developed by MAS should be used by all stakeholders in the National Strategy to organise their thinking about adult consumers.</td>
<td>The adult segmentation is robust, and easy to understand and use as a strategic and operational tool.</td>
</tr>
<tr>
<td><strong>3</strong> The Money and Pensions Service should carry out targeted research to fill key remaining evidence gaps.</td>
<td>As with any research programme, gaps remain (e.g. self-employed people, impact of technology).</td>
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</table>
The 2015 strategy recognised that in order for the financial capability sector to make best use of very limited resources, service design and funding decisions had to be based on robust evidence not just of need, but also of what works. The 2015 strategy therefore aimed to develop a highly effective financial capability sector, underpinned by a robust evidence base in which resources were directed to areas of unmet needs and to interventions which had been proven to work. The vision was also that the impact of innovative new programmes would be evaluated in a rigorous and consistent way.

At the time, very few UK-based financial capability programmes were rigorously evaluated. Pockets of excellent practice existed, but much activity focused on monitoring reach, outputs and participant satisfaction rather than measuring outcomes and impact. It was also difficult to compare results from published impact evaluations due to the diverse and sometimes significantly different ways in which organisations defined and measured financial capability outcomes. Many existing interventions had not been rigorously evaluated and evidence that did exist was not always taken into account when designing services or making funding decisions.

To achieve the sustained cultural change needed, the 2015 strategy envisaged that MAS would take on a role similar to a What Works Centre, working with and through a range of strategic partners from across the financial capability and research and evaluation sectors. By 2018 MAS was in fact invited to join the What Works Centres network (see box on the next page for more on this significant milestone).

Lessons learned

What went well?

MAS decided to invest in test and learn activities and, as a result, was able to work with the sector to promote good evidence and evaluation practice in a much more comprehensive way than anticipated at the outset of the 2015 strategy, for example by:

- coordinating the sector to promote evidence-based practice and ensure evidence gaps were filled without duplication wherever possible;
- supporting consistent evaluation by promoting the use of the Outcomes Frameworks. These are standardised, cognitively tested questions that can be asked of adults and children at different life stages, that can capture in a consistent way their financial capability, both before and after an intervention;
- supporting organisations who signed up to the IMPACT principles to embed and promote good practice;
- providing guidance and practical tools to help practitioners evaluate their provision through the Evaluation Toolkit; and
- supporting the dissemination of evidence through the Evidence Hub.

MAS also invested significant amounts through the What Works Fund and Financial Capability Lab to understand much more about impactful interventions that improve financial capability.
About the What Works Centres network

The Government’s What Works initiative aims to improve the way government and other organisations create, share and use high quality evidence for decision-making. It supports more effective and efficient services across the public sector at national and local levels. What Works is a world first: it’s the first time any government has taken a national approach to prioritising the use of evidence in decision-making.

What Works Centres are different from standard research centres. They enable policy makers, commissioners and practitioners to make decisions based upon strong evidence of what works and to provide cost-efficient, useful services. The What Works Network is made up of independent What Works Centres and affiliate members, which together cover policy areas that receive public spending of more than £200 billion.

As a result of its work on the What Works Fund, and the other principles it applied to the development and use of evidence, MAS was invited to become an associate member of the What Works Network in 2018. This was because it had demonstrated it was effective in:

- collating existing evidence on the effectiveness of various policy programmes and practices;
- producing high quality synthesis reports and systematic reviews in areas where they do not currently exist;
- assessing how effective policies and practices are against an agreed set of outcomes;
- sharing findings in an accessible way; and
- encouraging practitioners, commissioners and policymakers to use these findings to inform their decisions.

The What Works Fund

The What Works Fund was launched by MAS in 2016 to build the evidence base about the types of interventions that can make a measurable impact on people’s financial capability and to share that evidence with Government, the third sector, financial services and beyond. Nearly £11.3m has been funded via 65 grants to non-profit organisations. The What Works Fund programme is one of the UK’s biggest single investments in financial capability interventions and evaluations, providing extensive and detailed evidence about what works, for whom and under what circumstances.

The results from the What Works Fund were extremely rich and varied. Inevitably, with 65 organisations mostly coming afresh to the concept and practice of evaluation, there has been a range of evaluation quality, but the best projects met extremely robust standards and all projects provided useful and new evidence. A digest was prepared of Findings in your hands to extract results from the programme as a whole, and other digests were prepared of evidence by life stage. Each What Works Fund grant recipient committed to their own learning and sharing activities; a London event was held to publicise the results to hundreds of stakeholders; and other dissemination activities have happened through newsletters.
and webinars. All in all, the What Works Fund is viewed as building a transformative body of evidence, and sending a transformative message to the financial capability sector about the value of evaluating the impact of interventions, and of focusing on depth and quality of evidence rather than reach alone.

Evidence from the What Works Fund programme has fed into the Working-age Money Management and Children and Young People commissioning priorities developed by MAS.

**The Financial Capability Lab**

The Financial Capability Lab was established in 2016 as a partnership between MAS and the Behavioural Insights Team (BIT) to generate and rapidly test new behaviourally informed ideas to help solve some of the most important money challenges facing people in the UK. These challenges focused on the ‘financially squeezed’ segment, and covered: building a savings buffer; accessing guidance and advice; and choice, use and repayment of credit.

The aim was to test the most promising ideas in the real world with public and private partners, providing evidence that could be used to scale up financial products and services.

The Lab has generated over 250 new ideas, 18 of which were tested with consumers representative of the financially squeezed segment using a mix of qualitative methods (discussion groups and interviews) and online randomised controlled trials. Ideas were then prioritised to test at scale with partners.

As well as piloting some of the most promising ideas in partnership with other organisations, research completed with BIT has improved understanding of key behavioural triggers and opportunities to help people improve money management behaviours at different life stages. Building behavioural science and financial capability outcomes into these core financial services products and services has the potential to help millions of people change behaviours towards debt, savings and planning for pensions, and take control of their money over the long term.

New partnerships have been agreed with Lloyds Banking Group and Monzo Bank. A number of ideas generated from the work of the Financial Capability Lab are now being taken forward by other funders and providers.

**What didn’t go so well?**

Despite modest efforts to engage the private sector, the What Works Fund ended up funding voluntary sector and not-for-profit organisations. Because of the charitable objectives of voluntary sector organisations, this meant that the body of evidence it produced is mostly about how to develop financial capability amongst the ‘struggling’ segment (and children). These are both useful targets for research, but as a consequence the fund provided a relatively small amount of evidence for a very large segment, the ‘financially squeezed.’

In particular, MAS initially struggled to engage very much with financial services firms (outside their corporate social responsibility functions), or fintechs, both of which ought to be promising sources of solutions.

The Financial Capability Lab has helped to address both issues, as it focused on the ‘squeezed’ segment and some of its most willing partners have been financial services firms and fintechs. But it was not designed to test the very broad range of interventions that was within the scope (and budget) of the What Works Fund.
Recommendations

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>4  The Money and Pensions Service should continue to invest in tests and pilots that either fill gaps, or build on knowledge and evidence about what works, that can then be delivered at scale by other organisations. In particular, we would encourage further development of the evidence base for the ‘financially squeezed’ segment.</td>
<td>Initiatives like the What Works Fund filled an obvious gap – a programme at that scale would not have been funded by any other organisation, and the diversity of the evidence base gathered means that very many types of organisation can benefit from the results. Most evidence of what works has so far come from interventions targeting the ‘financially struggling’ segment.</td>
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</table>
A governance and delivery framework for the Financial Capability Strategy was established in 2015, with the intention that it would provide clear governance and direction, engage a diverse range of organisations, and monitor progress. The baseline form of this framework (which evolved as it was put into practice) is set out below.

The governance framework as designed and established in 2015

The 2015 strategy document set out at a high level the roles and responsibilities of the different actors involved:

- The **MAS Board** held accountability for improving financial capability in the UK; and allocated MAS resources to support the 2015 strategy as appropriate.

- The **Financial Capability Board** was to work closely with MAS Board and steering groups to provide governance, review progress, give a steer on the approach.

- The **steering groups** were to support and guide MAS and the sector in the delivery of their area of the 2015 strategy, reporting to the Financial Capability Board; to involve the provision of guidance on the evolution of action plans.

- The **Devolved Nations Forums** were to support and guide MAS and the sector in delivery of the 2015 strategy, and to ensure the 2015 strategy was adapted to the specific context, requirements, funding arrangements and stakeholders in each nation.

- The **Debt Advice Steering Group** was intended to be responsible for working with MAS and Financial Capability Board to identify opportunities to improve the efficiency, effectiveness and reach of free debt advice in the UK. It was to be the main mechanism for delivering the priorities of the 2015 strategy relating to people in financial difficulty. It was not

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**3. Leadership and accountability**

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entirely clear how the DASG was intended to interact with other parts of the Financial Capability Governance and Delivery structure. However it has been clear since 2015 that the DASG has operated independently of the Financial Capability Board.

- The Research and Evaluation Group was to provide expert advice and guidance in relation to evidence and evaluation.

This structure changed in some small respects, but broadly endured throughout the three-year period. For example, a Fintech Expert Group was envisaged. In the event, a fintech expert joined the Financial Capability Board instead.

This structure was (implicitly) intended to deliver four different functions:

1. Development of the 2015 strategy, goal setting, and monitoring progress against plans and goals.
2. Individuals and organisations volunteering to take responsibility for actions and initiatives to drive the 2015 strategy forward.
3. Sharing knowledge of existing activities and initiatives, experience and best practice.
4. Wider advocacy, on the basis that the 80-100 people involved in the governance structure were linked into their other valuable networks.

This section deals with points 1 and 2 above; the next section on communication and engagement deals more with points 3 and 4.

**Lessons learned**

**What went well?**

As a Financial Capability Board, we developed the Calls to Action in 2018 (examined in more detail in section 5 below). This was a significant step forward in establishing an ambition for what should be achieved through the 2015 strategy. The Calls to Action set out a direction of travel that many different organisations could unite behind, and are a tool to mobilise stakeholders, and a means for them to voice support for the Financial Capability Strategy.

**What didn’t go so well?**

The ability of MAS to lead, coordinate and influence was initially hampered by its lack of credibility with stakeholders. Its future was uncertain, and it lacked the legislative mandate that the Financial Claims and Guidance Act has now put in place for the Money and Pensions Service. As MAS’s future became clearer, its credibility improved – somewhat paradoxically, as it ceased to exist on the day the Money and Pensions Service came into being.

**Accountability**

Leadership was further complicated by a lack of clarity about accountability (i.e. MAS being held accountable for delivering things it could not direct other organisations to do). There was a good deal of confusion about the respective roles and responsibilities of the Financial Capability and MAS Boards. Everyone agreed that a single organisation couldn’t (and shouldn’t try to) solve the UK’s financial capability problem all on its own. This meant that centralised ‘command and control’ was not a practical or realistic way to get things done, given the variety of organisations and agendas involved. But in that case, who was to set direction, goals and mobilise to action?
An expectation from some was that the Financial Capability Board would provide this leadership and strategic direction, and tie together different strands of the 2015 strategy (infrastructure and governance, research and development initiatives, goal setting and plans). However this expectation was neither set nor followed through with vigour, and this was probably because it was in fact unrealistic. As a Financial Capability Board we met quarterly for just two hours, and that meant the bulk of the work, and leadership, had to happen in between and at a much greater scale. Moreover, we were accountable only to each other and to the Chairman of the MAS Board.

Some of what was expected did occur. When we were asked to work with MAS to contribute more specifically according to individual areas of expertise, and to reach out more widely to our peers and networks, this resulted in the development and championing of the Calls to Action. But it did not happen with the consistency and pace that we feel will be needed to drive the scale of change the financial capability challenge presents.

**Wider connections**

There was also no natural home or clear owner of financial capability within Whitehall – while policy responsibility sits with the Treasury, elements of financial capability fall within the remit of many different departments. This made higher lines of accountability difficult to establish. It also made it hard for MAS to engage with policy makers or influence policy. By contrast, in the Wales Government, there is a clear owner.

Although the Debt Advice Steering Group was given a dotted line to the Financial Capability Board, we had little dialogue with them and there was no real coordination between the goals and deliberations of the two groups. For all intents and purposes, the activities of the Financial Capability Strategy did not actively weave in work to support over-indebted people. (The Debt Advice Steering Group is examined in greater detail in section 8 below.)

Financial Capability Board members, with one exception, did not chair steering groups. Two-way communication with steering groups was therefore lacking. At every Financial Capability Board, we received a written update from the steering groups (and we provided them with a written update of our deliberations), but this did not lead to a sense of mutual exchange and accountability. (Steering groups are examined in greater detail in the next section.)

**A pro-consumer voice**

As a Board, we did not adopt a campaigning voice on behalf of consumers. MAS itself steered away from proactive consumer engagement on the basis of some very public criticism of its marketing activities and spend, and this had underlying implications for how we positioned our role.

We recognised that the terminology used had no resonance with consumers – for example consumers were not aware of ‘financial capability’ as a term, and as the Financial Advice Market Review (FAMR) showed, they also had a different view from the industry of the meaning of terms such as ‘guidance’ and ‘advice’.

We believe that a positive step forward in increasing consumer engagement was our commissioning work that led to the creation of the ‘Talk Money’ brand, which has proved to be extremely effective and resonant with consumers during Talk Money Week.

We have largely held the ring between different players in the financial capability ecosystem. Our successor or equivalent
Recommendations

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<td>5 The National Strategy should create a framework in which multiple organisations deliver to a common plan that drives change at scale and at pace. In order to achieve this, the roles, responsibilities and remits of the various actors in the financial capability ecosystem should be very clearly set out in the National Strategy, using a set of design principles explained on the next page.</td>
<td>See next page for design principles.</td>
</tr>
<tr>
<td>6 A decision should be taken about whether there should be a more powerful pro-consumer voice embedded in the National Strategy.</td>
<td>The Financial Capability Strategy deliberately did not seek to adopt a campaigning tone / approach.</td>
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<tr>
<td>7 The National Strategy should consider more proactive direct to consumer engagement, including greater use of a branding and terminology that engages consumers.</td>
<td>‘Financial capability’ and ‘guidance’ were not terms that resonated with consumers. There is an opportunity to build on positive consumer engagement with the ‘Talk Money’ brand.</td>
</tr>
<tr>
<td>8 The National Strategy should not treat debt advice (or pensions guidance) as distinct problems.</td>
<td>Debt advice and pensions guidance both have their contribution to make to financial capability. A more financially capable nation would have a positive impact on take-up of debt advice and pensions guidance, as well as ensuring that consumers accessed the right support at the right time. (This is explored in more detail in section 8 below).</td>
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High-level design principles recommended for the governance of the National Strategy

- The Money and Pensions Service must remain accountable to Parliament for the success of the National Strategy, and responsible for signing off the National Strategy’s plans and goals.

- Any governance mechanisms created by the Money and Pensions Service should serve one or more of three key purposes: 1) mobilising key decision makers to champion and mobilise change across influential organisations and wider society; 2) ensuring stakeholders are consulted and engaged and that their advice is sought and used; 3) making sure that tasks and activities get done.

- The governance framework created by the Money and Pensions Service should ensure that multiple organisations deliver to a common plan that drives change at scale and at pace.

- A wider range of organisational actors must be engaged (including financial services firms, employers, regulators, government).

- A group of more senior and more influential people must be involved and engaged at the heart of the National Strategy.

- Everyone involved must be motivated and engaged by their role in the National Strategy, and feel that they have more personal responsibility for, and a stake in the success of, the National Strategy.

- Participants at any level of governance should be clear about whether they are participating in an advisory capacity, or in a capacity that expects them to mobilise their own organisation or others to action.

- Lines of reporting and communication must flow much more effectively between all levels of governance and stakeholder engagement mechanisms.
Considerable time and energy was spent thinking about governance and stakeholder engagement before the 2015 strategy was launched, and steering groups were central to the engagement model. Steering groups were formed around both themes (e.g. savings) and life stages (e.g. people in retirement), while forums were set up in the devolved nations (and covered all themes and life stages). A small secretariat from MAS (never more than four people) supported the administration and deliberation of the steering groups and the Financial Capability Board. Lessons in this section have been brought to the Financial Capability Board after a structured exercise with the steering groups and devolved forums to consider their own lessons learned, which we endorse.

Similarly to the Financial Capability Board, the steering group structure was (implicitly) intended to deliver four different functions:

1. Development of sub-strategies, goal setting, and monitoring progress against plans and goals
2. Individuals and organisations volunteering to take responsibility for actions and initiatives to drive the 2015 strategy forward
3. Sharing knowledge of existing activities and initiatives, experience and best practice
4. Wider advocacy, on the basis that the 80-100 people involved in the governance structure were linked into their other valuable networks.

### Lessons learned

#### What went well?

The steering groups were made up of passionate and committed individuals with a strong desire to contribute, deliver change and make a difference.

Both the Ipsos MORI strategy evaluation and reflections of steering groups themselves suggest that they worked very well for functions 3 and 4, creating a forum that built trust and collaboration between individuals and organisations. The steering groups worked less well for functions 1 and 2, often coming up against their limited set of levers to make change happen.

Each steering group evolved in its own way, as members sought to find a model that best drives real change in a complex and dynamic environment. Where steering groups worked best there was:

- **A clear sense of purpose.** This might be providing thought leadership to the wider sector, advising MAS, advocating the importance of particular aspects of financial capability, or dissemination of good practice. Different groups adopted different roles, and did so successfully. But it was critical for success that they had made a conscious choice and were clear about that role.

- **Linked to the Financial Capability Board.** At its best, this involved formal representation of a Board member on the Steering Group. But more informal links could also work, where a Board member clearly had an interest in, and engagement with, the relevant Steering Group.

- **Resources to drive the agenda forward.** The most successful steering groups
tended to have a core resource (individual or team) within MAS – a resource to drive the agenda forward; to lean on the steering group for advice and expertise; to develop propositions to improve outcomes for consumers; and to take advantage of steering group members’ networks to disseminate propositions that work.

- **Clear alignment between objectives of the steering group and MAS.** MAS needed to care about the work of the steering groups and have ‘skin in the game’ – in other words to be actively working on the same agenda.

The Resilience Taskforce provided an alternative approach to the steering group model. In autumn 2018 a group of individuals decided that they wanted to address issues around household resilience and the take-up of protection products. Topics such as the relationship between ill health, bereavement and sickness and protection insurance had been little addressed in the 2015 strategy to date. They therefore asked if they could set up a 12-month ‘task and finish’ group under the wing of the Financial Capability Strategy. MAS agreed to provide meeting space, administrative support and a member. The group has met three times to discuss activities that can raise awareness of income shocks and the need to build resilience; make recommendations to public authorities and others; and develop initiatives to test what works in building resilience. It is too early to judge the success of this approach that ‘incubates’ a task-and-finish group under the wing of the 2015 strategy, but it is a model that is worth exploring further.

In **devolved nations**, more progress has been made in Wales and Scotland than in Northern Ireland, partly due to the very different political context.

In Wales, shortly after publication, the Welsh Government produced its own [Financial Inclusion Strategy](#), which has been closely aligned to the Financial Capability Strategy. The Welsh Government published progress reports on their Strategy, and progress against the activities in the Welsh Action Plan was also monitored closely through meetings of the Forum. The backing and support of the Welsh Government provided drive and momentum, for example by funding promotion of credit unions and workplace payroll deductions through credit unions.

The Welsh Forum successfully brought together a wide range of interested stakeholders from different sectors and organisations. Forum members reported that:

- “The forum has enabled Wales to have a voice, and to be properly consulted with on matters that directly impact us as a devolved nation”;
- “[The forum has been] very effective for bringing stakeholders together and jointly sign up to things, delivering against a national strategy aligned to Wales Government thinking and strategy”;
- “The forum not only acts as a learning and sharing platform, it has helped to influence cross policy agendas and collaboration. It has provided the platform for regular open dialogue with the other devolved nations and the UK steering groups”.

In Scotland the Forum met regularly, bringing together organisations involved in financial capability, money guidance and debt, to share knowledge, data and ideas. One member for example noted that the forum has been “a very strong partnership” involving a wide range of participants “from government to NHS, through to black and minority ethnic organisations such as Advice Scotland, Shelter, Credit Unions ... a really good mix of people all working together to try and share experience and learning, doing
a lot of joint-work to bring together, as we did through one of the MAS-funded projects bringing the mainstream organisations together with BME projects to improve knowledge and all sorts of capability within that sector”.

Despite lacking a Scottish Government financial capability strategy of the kind developed in Wales, the Scottish Forum was able to drive forward the action plan for Scotland. A Scottish Financial Education Forum was also established, bringing together key players to drive forward work with children and young people in Scotland.

What didn’t go so well?

The steering group model seemed least effective where:

- There was no real momentum coming from MAS (or the Financial Capability Board) to advance the agenda; to fund evidence building; to seed fund interventions or propositions; or to use members and their networks to reach more consumers with interventions that work.

- The group was more of a talking shop, discussing things of value at meetings, but without resource or leadership to take projects forward between meetings.

- Members felt no sense of being part of something bigger – no connection to the Financial Capability Board, or even to the priorities of MAS. (The reverse was also true: as a Financial Capability Board we had too little knowledge of the thinking and work of steering groups.)

Beyond that, the secretariat was very thinly spread across the Financial Capability Board, seven groups, and three devolved forums (some of which also had subgroups in operation). This further restricted the ability to take forward activity and thinking between meetings.

Given the complex set of actors interested in financial capability, we conclude a one-size-fits-all governance model is unlikely to work, and other models (e.g. task-oriented groups) may be more appropriate depending on specific requirements.

The 2015 strategy has been less effective at engaging with financial services firms than it has been at engaging with the voluntary sector. However, this has begun to be addressed by recent work analysing practices of financial services firms in developing consumer financial capability, and Financial Capability Lab collaborations.

Specifically in relation to devolved nations, there have been challenges with governance and information flow between the UK Financial Capability Strategy and individual devolved nation strategies. For example, while the Financial Capability Board included representation from the Welsh Government and Scottish Forum, there was no representative from Northern Ireland. A lack of political momentum in Northern Ireland also hampered progress of the 2015 strategy. The Department of Communities planned to develop their own financial capability and debt strategy, but little progress has been made, and without a functioning executive, ministerial support is hard to secure.
Initiatives from the 2015 strategy action plans

The 2015 Strategy set out action plans for topic areas, mainly around different life stages. These action plans were developed based on input from stakeholders. What follows is a summary (but not an exhaustive one) of the work taken forward by stakeholders in six of these areas, responding to the action plans.

Children and young people

The sector has worked collaboratively to reinforce messages to schools about how best to support financial education. Examples include a report by the All Party Parliamentary Group on Financial Education for Young People (May 2016), Ofsted’s report on Enterprise Education (November 2016), and recent work to develop a single cross-sector Learning Outcomes Framework, available to 32,000 schools across the UK (2018). An active and engaged Scotland-wide Forum for people working on financial education was established because of the interest the 2015 strategy generated in the subject.

Young adults

Activities to understand the financial capability needs of young employees have included NatWest/RBS’s Financial Capability and Young Workers Report (March 2018) and several What Works Fund pilots. For example, MyBnk’s Money Works pilot reached over 1,000 young people with a range of positive results: debts fell by 60%, regular savers increased by 23%, the number of young people who said that they would in future seek specialist advice rose, and the capabilities of participants also increased substantially. A London dinner was held to influence key figures from the apprenticeship sector (there are more than 800,000 apprentices in England, so this is a key opportunity) during Financial Capability Week 2017, and repeated in Edinburgh.

Thought leadership has been developed on the role that financial capability can play in supporting social mobility, and opportunities have been found that could embed this thinking into welfare, student finance and work-based interventions.

Working-age people

Activities to better understand savings culture in the UK have included more detailed analysis of the Financial Capability Survey data (resulting in a 2016 report Closing the Savings Gap, which explored attitudes and barriers to saving), and Toynbee Hall’s report Savings for the Future (2017), which examined informal savings habits of low income households.

In a way that was not anticipated by the action plan, but was viewed by all stakeholders as a positive development, a Workplace Steering Group was formed. It brought together employers and providers to explore current best practice and gaps in support available to improve financial capability/financial wellbeing through the workplace. Employers engaged in this work included Tesco, ASDA, Boots, Centrica, CIPD, Co-op, DHL, Kingfisher, KPMG, Marks & Spencer, Mitchells & Butler, Network Rail, Sainsbury’s, Superdrug, Travelodge and William Hill.
Retirement planning

Collaborative cross-sector work to improve access to pension information and customer journeys has included the ABI’s roll out of new more consistent pensions language; work to test a ‘Pension Passport’; creation of a pension dashboard prototype; a proposed Simpler Statement; and the Pension and Lifetime Savings Association’s work to develop retirement income targets.

Interventions have been developed to support customers to plan more effectively for retirement (Mid-Life MOT piloted in 2018), and to encourage more customers to use guidance (Pension Wise final nudge testing, to take place in 2019).

Older people in retirement

Work to better understand financial capability in later life and to raise awareness of needs of people in retirement has included: developing an Outcomes Framework, FCA’s Ageing Population project and report (2017), Age UK’s Financial Resilience in Later Life (June 2018), and an enhanced set of questions in the Financial Capability Survey (2018).

Interventions have been tested through the What Works Fund and potential new interventions have been developed for testing (e.g. Mid-Retirement MOT).

People in financial difficulties

Cross-sector collaboration to improve consistency, make crisis support more effective and build resilience into the support already on offer has taken place. This has included the launch of a Standard Financial Statement (SFS) in March 2017 (with a savings element for the first time), and development of best practice guides such as the Creditor Toolkit. The SFS is now being used in 81% of debt advice sessions, with over 1.3 million customers a year now having their income and expenditure assessed using the tool.

Thought leadership has been undertaken to deepen understanding of the social impact of debt advice and how the sector can be funded to maximise value (Peter Wyman review of Debt Advice Funding, January 2018).
## Recommendations

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<td><strong>9</strong> Retain the concept of expert stakeholder groups, but develop multiple models, and leave ‘one-size-fits-all’ behind.</td>
<td>The steering group model is highly valued by many. But a one-size-fits-all model won’t work. Steering groups work well in some situations – in others, a task-and-finish group, or greater engagement with other existing forums might work better.</td>
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<tr>
<td><strong>10</strong> Align the Money and Pensions Service resources to the needs of stakeholder groups.</td>
<td>Ensure there is a core resource (individual or team) within the Money and Pensions Service with the capacity to drive forward the agenda and work programme of the stakeholder groups. This Money and Pensions Service resource would likely include both policy and delivery capability.</td>
</tr>
<tr>
<td><strong>11</strong> The new governance structure should provide clearer direction.</td>
<td>The National Strategy should make clear and specific asks of stakeholders and stakeholder groups, based on a focused strategic direction, and should set bold expectations of pace.</td>
</tr>
<tr>
<td><strong>12</strong> Empower stakeholder group members to drive change at scale and pace.</td>
<td>Members of the stakeholder group, together with the relevant the Money and Pensions Service resource, should determine how best to operate in order to deliver the requirements of the National Strategy.</td>
</tr>
<tr>
<td><strong>13</strong> The new governance structure should ensure clearer links between expert groups and those providing strategic direction.</td>
<td>This will ensure better links between the two levels and help to address issues of stakeholder groups working in silos.</td>
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<tr>
<td>14</td>
<td>The National Strategy should set out ways to engage more effectively with a broader range of stakeholders. Governance mechanisms and infrastructure support for the National Strategy should include, and be tailored to encourage the participation of, financial services firms, fintechs, and employers.</td>
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<tr>
<td>15</td>
<td>The leadership of the National Strategy should consider ways to maintain engagement with key sectors that can play a role with non-workplace support for working-age adults (e.g. housing, welfare to work).</td>
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<tr>
<td>16</td>
<td>Engagement models should continue to be adapted to local requirements in devolved nations.</td>
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In 2015 the Financial Capability Board considered at length whether to set specific targets for the 2015 strategy around improved financial capability. We decided against doing so in year 1, but reserved consideration for future years. We believed that the limited evidence about the exact nature of the consumer problem and the impact of interventions on financial capability made it unwise, at that time, to set targets we did not know how to reach. There was also realism about the extent to which MAS could rally stakeholders around firm goals, given the organisation’s standing (and questions about its longevity) at the time.

Alongside this realism, there was probably also over-optimism that goals and targets would emerge organically as stakeholders engaged with the process, in the wake of their goodwill, enthusiasm, buy-in and contribution to the development of the 2015 strategy.

It was therefore decided instead to focus on gathering consensus about how the consumer problem broke down into specific life stages and circumstances. We did however expect that goals, at least for specific life stages, would follow much sooner than they did.

Lessons learned

What went well?

The development of the Calls to Action in 2018 (see case study in call-out box below) was a significant step forward in establishing an ambition for what should be achieved through the 2015 strategy.

What didn’t go so well?

Although there was a broad roadmap setting out three developmental stages for a collective impact strategy (see diagram on page 9), it was communicated more within MAS than among stakeholders, and wasn’t linked to specific goals, so it had less impact than it could have done.

Although the Calls to Action set goals for 2021, and involve millions of people, even then, they do not set out a level of change that could be unambiguously detected through a population-level survey. To that degree, they are still relatively cautious and tactical.

At present, although there are collections of promising initiatives in each of the domains of the Calls to Action, only in the domain of financial education could there be said to be a strategic plan that shows how coordinated collective action will deliver change – and that strategic plan was developed by MAS as part of its core corporate strategy.
Recommendations

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<td>17  The National Strategy should have specific goals and targets agreed at the start of the next strategy period, and a clear timescale attached to them, alongside a credible high-level roadmap for each goal / target, and adapted to the circumstances in the devolved nations.</td>
<td>The goals and targets should (in the near term at least) make strategic choices – that is, they should narrow the focus of the 2015 strategy. This will inevitably be controversial, as by making choices, some target groups get left out. But the alternative, trying to work on all problems at once, does not advance a strategy (at least in the near-term; a National Strategy that set universal goals 15–20 years from now would be a different beast, although it would inevitably have to prioritise in the early years to prove its effectiveness).</td>
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<tr>
<td>18  The goals should incorporate the Calls to Action as a centrepiece of the National Strategy around which other organisations can coalesce and focus their own activities.</td>
<td>Because the Calls to Action include debt and retirement planning, they mirror all the main responsibilities of the Money and Pensions Service. The National Strategy should be the means by which wider organisations involved in the debt and pensions space are coordinated towards common goals.</td>
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<tr>
<td>19  Each goal should be accompanied by a roadmap of how to reach it.</td>
<td>The roadmap for the longer term of the National Strategy (looking beyond 2022) should be to prove relevance and effectiveness (the ability to coordinate stakeholders towards common goals) through the Calls to Action, and then use that credibility for more fundamental and sustainable system change across the UK (including in devolved nations) from 2022 onwards.</td>
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<tr>
<td>20  A Call to Action relevant to people in retirement should be considered.</td>
<td>Some of their needs are addressed through the existing five Calls to Action, but people in retirement have unique needs that fall completely outside that scope. This would however mean that the Calls to Action would become all-embracing, not significantly narrowing the range of problems addressed by the National Strategy.</td>
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</table>
Case Study: The Calls to Action

At our request, the Calls to Action were developed by a subgroup of our Board, drawing on data and evidence supplied by MAS. They were launched during Talk Money Week 2018.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Call to Action</th>
<th>2021 Ambition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Savings</td>
<td>10.7m adults don’t save regularly, and 11.5m have less than £100 in savings to fall back on. <strong>We want everyone to save money regularly.</strong></td>
<td>We want 1 million more adults to be saving by 2021.</td>
</tr>
<tr>
<td>2. Credit</td>
<td>9m adults often borrow to buy food or pay bills. <strong>We want to see a fall in the number of people relying on credit for everyday essentials.</strong></td>
<td>We want 1 million fewer people to be relying on credit for everyday essentials by 2021.</td>
</tr>
<tr>
<td>3. Debt</td>
<td>8.3m people are over-indebted but less than a quarter seek help. <strong>We want everyone who needs it to be able to get free and effective debt advice.</strong></td>
<td>We want 500,000 more people a year to get free and effective debt advice.</td>
</tr>
<tr>
<td>4. Retirement</td>
<td>22m working-age people say they don’t know enough to plan for their retirement. <strong>We want everyone to have the support they need to make informed decisions about their retirement.</strong></td>
<td>We want 2m more working age adults to say they understand enough to make informed decisions about their retirement.</td>
</tr>
<tr>
<td>5. Financial Education</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. <strong>We want all children and young people to have a meaningful financial education.</strong></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>
</tr>
</tbody>
</table>
These particular Calls to Action were chosen because our subgroup believed that the work required to achieve each call to action would entail working on related, but subordinate issues, and therefore the Calls to Action as a whole would act as a catalyst throughout the hundreds of organisations working on financial capability.

They are widely agreed to be focused on the central problems, clear, motivating, but wide-ranging enough to draw on the support of a good range of stakeholders and can be adapted to take account of differences in the devolved nations.

The Calls to Action are positioned to be:

- An ambitious vision of how we could ‘move the dials’ towards an ideally financially capable nation
- A direction of travel for many different organisations to unite behind and follow
- A tool to help tell the story of what the National Strategy is trying to achieve
- A tool to focus money and resources on key problems
- A tool to mobilise stakeholders to do new work on key problems
- A way for stakeholders to voice support for the National Strategy at the level of theme, the call to action, or the ambition

The Calls to Action are not intended to be:

- Government policy commitments
- A repackaging of what is already happening, with nothing new added
- A precise roadmap
- The final view of the the Money and Pensions Service Board about the scope and goals of its corporate strategy
- A description of things that the Money and Pensions Service will be responsible for delivering on its own
- KPIs or targets for the Money and Pensions Service

The next step is to bring the Calls to Action to life. For each Call to Action, this involves mapping current interventions to identify the gap between existing provision and the 2021 ambition; assessing the potential impact of new interventions using a variety of tools available (e.g. behavioural nudges, consumer campaigns, fintech tools); and obtaining some firm commitments from high profile signatory organisations.

In the table overleaf, for each Call to Action we have identified some activities where we have evidence of interventions that we believe have the potential to scale and therefore to help us achieve the ambitions set out in the Calls to Action.
<table>
<thead>
<tr>
<th>Theme</th>
<th>Call to Action</th>
<th>Ambition</th>
<th>Illustrative examples of interventions that could be scaled up</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saving</td>
<td><strong>We want everyone to save money regularly</strong></td>
<td><strong>We want 1 million more adults to be saving by 2021</strong></td>
<td>• The Open University’s Managing My Money project successfully encouraged users of a simple online tool to improve budgeting, save a small savings buffer, and avoid common debt pitfalls.</td>
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<td></td>
<td>• <strong>Rепay &amp; Save</strong> – Financial Capability Lab and Lloyds have partnered on a pilot initiative to help people with unsecured debt to consolidate the debt, accelerate repayment and make an easy and attractive transition to saving.</td>
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<td>• <strong>Savings Supporter</strong> – Financial Capability Lab and Monzo have partnered on a pilot initiative for promoting saving using the power of social connections.</td>
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<td></td>
<td>• <strong>Card Controller</strong> – Financial Capability Lab and Monzo have also partnered on a pilot initiative to add behaviourally informed features to money management apps.</td>
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<td>• The aim of these partnerships between the Financial Capability Lab and leading financial services firms is to develop, pilot and evaluate promising ideas; build and share evidence about how effective these solutions are at helping people improve financial capability; and implement solutions at scale, potentially helping millions of customers manage their money better.</td>
</tr>
<tr>
<td>Credit</td>
<td><strong>We want to see a fall in the number of people relying on credit for everyday essentials</strong></td>
<td><strong>We want 1 million fewer people to be relying on credit for everyday essentials by 2021</strong></td>
<td>• <strong>Supported Rent Flexibility</strong>, delivered by the Centre for Responsible Credit (part of the National Learning and Work Institute) and Optivo Housing, has enabled social housing tenants to decrease rent arrears and reduce the extent to which they use credit to make ends meet, as well as delivering positive outcomes across mindset, connection, behaviour and wellbeing. This intervention offers a route to scale via other social housing landlords.</td>
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<td>• <strong>Changing behaviour around online transactions</strong>, delivered by Good Things Foundation and Toynbee Hall, supported vulnerable working-age adults to conduct a live online transaction, with clear positive results showing that assisted digital transactions have a significant effect on mindset and ability as well as behaviour. This intervention has highlighted the importance of building digital and financial capability support around digital solutions, and has the potential to be scaled up to a wider range of adults across the UK.</td>
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Debt

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<tr>
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<tbody>
<tr>
<td>Debt</td>
<td>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>
<td>• Financial support, including signposting to debt advice, for vulnerable adults to break the cycle of financial instability and crisis, delivered by Changing Lives. Delivered in community settings, this intervention supported nearly 500 adults in Tyne &amp; Wear, alongside financial capability training for 1,345 frontline staff and volunteers. Positive results included clients resolving benefit problems; worrying less about their financial situation; more people finding it easier to manage their financial situation and taking steps to reduce their outstanding debts.</td>
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<tr>
<td></td>
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<td></td>
<td>• Repay &amp; Save – Financial Capability Lab and Lloyds have partnered on a pilot initiative to help people who have unsecured debt to consolidate the debt, accelerate repayment and make an easy and attractive transition to saving. If the pilot shows this solution is effective at improving financial capability, it will be scaled up, potentially reaching millions of customers.</td>
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Retirement

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<tr>
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<tr>
<td>Retirement</td>
<td>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>
<td>• Age UK Scotland’s Money Matters project, supporting people in retirement to plan for the future with roadshows and workshops across Scotland. Positive results show benefits for people’s knowledge about benefit entitlements, care costs and funding, as well as information about where to access information and advice. There is potential to scale across the UK.</td>
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Financial Education

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<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Financial Education</td>
<td>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>
<td>• Talk, Learn, Do – piloted across Wales in 2016-17 and delivered as part of two existing parenting courses, aimed to encourage parents of 3-11 year olds to talk to their children about money and create opportunities for their children to experience managing it. Evaluation showed a positive impact on parents’ knowledge on how to talk to their children about money, children’s ability to manage money, and parents’ own over-indebtedness. There is potential to scale this up to parents across the UK.</td>
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<td>• Young Money’s intervention to understand the impact of teacher training on financial capability of their students has shown the importance of training the trainer, delivering significant impacts for both teachers and school children. This intervention offers a clear route to scale via schools.</td>
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<td></td>
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<td>• MyBnk’s Money Twist has demonstrated clear positive impacts for secondary school children, helping them to make significant improvements across mindset and ability outcomes. This intervention also offers a route to scale via schools.</td>
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</tbody>
</table>
MAS did not closely define its role as a backbone organisation, but the expectations it met, and the types of activities it delivered under its business plans in the first three years of the 2015 strategy, included the following:

- publishing and hosting the 2015 strategy on a website, fincap.org.uk, with other associated research, evidence and toolkits, including the Evidence Hub;
- providing meeting space and administering the meetings of the entire governance structure;
- chairing the Financial Capability Board, and providing CEO and Executive level members;
- providing a secretariat team, of around four people, who divided between them administrative and strategy development tasks that documented and drove forward the thinking of the Board and steering groups;
- organising devolved forums in Northern Ireland, Scotland and Wales;
- publishing stakeholder email newsletters, and maintaining social media feeds;
- organising Financial Capability Week (in 2018 renamed Talk Money Week) for three years in a row;
- developing and supporting insight and evaluation products such as the Evaluation Toolkit and the IMPACT principles, as well as the significant investment in the Evidence Hub;
- managing internal workstreams supporting the 2015 strategy through an internal steering group;
- investment in research activities, such as the adult Financial Capability Survey, the children and parents Financial Capability Survey, and the various deep dive research pieces (explored in more detail in section 2 above); and
- investment in the What Works Fund and the Financial Capability Lab (explored in more detail in section 3 above).

Lessons learned

What went well?

Stakeholder responses from the Ipsos MORI strategy evaluation indicate that there was a good level of satisfaction with the way MAS performed its role as a backbone organisation – for example raising the profile of financial capability through Talk Money Week and other initiatives, conducting important research, bringing together groups of relevant actors, coordinating and sharing information through the steering groups and other engagement mechanisms.

A wide range of stakeholders stated that MAS’s work to coordinate the 2015 strategy helped focus attention on the importance of financial capability and laid the foundations to drive future improvements. As one delivery organisation stated:

“The UK Financial Capability Strategy has been enormously helpful in the field in terms of improving and widening understanding of practitioners, gathering and developing evidence of what does and doesn’t work (for the first time), raising the agenda, tracking things nationally and excellent researching on different aspects. It has been one of the best things to ever happen ...”
MAS coordinated Talk Money Week (formerly Financial Capability Week) as a national event to raise the profile of the work organisations across the UK have been doing to improve financial capability (as highlighted in the box below).

### Talk Money Week – a big success and opportunity for the future

- **Talk Money Week** has expanded each year since it started in 2016 with a handful of events organised by MAS, to many hundreds of events in 2018, organised by a wide range of organisations to promote and showcase their work on financial capability.

- This has demonstrated MAS’ role in creating platforms to support organisations to form part of a bigger movement.

- As one participant to Financial Capability Week 2017 noted, the initiative “helped our service highlight that Financial Capability is a national issue not just a problem for our service users”.

- There is an opportunity to continue to grow Talk Money Week and to use it to drive the conversation about money and pensions, in a similar way to how Mental Health Week has made discussion about mental health issues more mainstream.

- At a cost of less than £200,000 Talk Money Week 2018 created 100 million opportunities to see, which in turn achieved unprompted recall among 9% of the population, or 4.7 million people.

- A target was set to use Talk Money Week as a platform for 300 stakeholder events across the country; in fact more than 400 events took place.

- The conferences organised in London, Cardiff, Edinburgh and Belfast during Talk Money Week were commented on exceptionally favourably by a range of stakeholders.

By performing a coordination role with steering groups, MAS helped stakeholders to share knowledge and collaborate more effectively. Stakeholders reported that these groups directly influenced their work, informing the direction and scope of research and publications, and guiding the direction of strategies to improve financial capability.

MAS also worked with stakeholders to develop and test a suite of Evaluation Tools including Outcome Frameworks. These tools are key pieces of infrastructure to enable common measurement across the sector. Stakeholders reported that the tools developed by MAS were very useful in enabling them to evaluate interventions over the short, medium and long term, and to focus on outcomes that interventions were intended to achieve.

Work undertaken by MAS has provided stakeholders with robust data to inform their own work and encouraged organisations to review their own strategies and approaches. As one financial services firm noted of MAS’ work on children and young people’s financial education, “to have an independent report that told us how many other organisations are doing it, and where they are doing it and what audience they are targeting has just been very helpful in terms of helping us sense check our strategy”.

The Financial Capability Strategy for the UK: three-year review of lessons learned and recommendations
What didn’t go so well?

Only the MAS Board was scrutinising how effectively MAS was carrying out its backbone functions, or indeed determining that the right amount of resource had been applied. This was perhaps a missed opportunity to engage senior stakeholders in thinking about how to improve the role of a backbone organisation.

A handful of MAS team members were thinly spread across hundreds of stakeholder organisations; the expectations of what such a limited number of people could do to mobilise organisations for action were unrealistic.

There was frustration from some steering group participants about the extent to which they were involved in, and kept up to date with, decision making.

There was ambiguity about the research and the What Works Fund – although it was in service of the 2015 strategy, its goals were completely directed by MAS, and MAS alone was answerable for what it produced.

Many of MAS’s activities to help stakeholders improve their own work were of a quasi-consultancy nature, but the staff available to provide this kind of support were never-in dedicated roles, and were never organised as such.

Recommendations

**Recommendations for the National Strategy**

<table>
<thead>
<tr>
<th>Recommendations for the National Strategy</th>
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<tbody>
<tr>
<td>21 The Money and Pensions Service should play a significant role as a backbone organisation.</td>
<td>This would include managing and coordinating governance, maintaining the knowledge base and financial capability website, and supporting stakeholder organisations involved in the National Strategy.</td>
</tr>
<tr>
<td>22 The Money and Pensions Service should carefully review the amount of resource dedicated to mobilising and supporting stakeholders, and consider organising it differently to MAS.</td>
<td>Increased and reorganised resource would recognise the importance and “consultancy” nature of much of the work. Additional resources are particularly needed in devolved nations.</td>
</tr>
<tr>
<td>23 There is a case to be explored for giving any senior advisors supporting the new National Strategy input on choices about how to spend and direct money and resources assigned by the Money and Pensions Service to the role of a backbone organisation (though the total amount spent must still be at the discretion of the the Money and Pensions Service Board).</td>
<td>A possible model is the Financial Services Consumer Panel, which has a ringfenced budget set by the FCA, which it spends at its own discretion. There are pros and cons to this approach, but a major benefit would be that senior advisors would be more engaged because of responsibilities inherent in making choices about the budget, and determining whether these choices were the right ones to support the wider goals of the National Strategy.</td>
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</table>
The 2016/17 MAS Business Plan set out the key delivery activities MAS intended to carry out in support of the Financial Capability Strategy, namely provision of debt advice, direct to consumer money guidance delivery, and development of commissioning priorities for children and young people and working-age adults.

Lessons learned

What went well?
MAS successfully executed its corporate strategy in the three core areas of debt advice, money guidance delivery and developing children and young people/working-age commissioning priorities.

What didn't go so well?
Because the scale of the ambitions of the Financial Capability Strategy were never documented, MAS was unsure of the extent to which its direct delivery activities and funding were expected to be decisive in addressing any aspect of the financial capability challenge. This was especially acute (and ambiguous) in the case of commissioning priorities, where delivery funding anticipated was in the very low millions, so their real worth is in what they can do to seed and influence change in the work of other organisations.

Recommendations

<table>
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<tr>
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<tbody>
<tr>
<td>24 The National Strategy needs to set out a credible statement of the scale and nature of the total delivery ambitions, and to provide strategic goals, that can form a context for the Money and Pensions Service’s own direct delivery.</td>
<td>The direct delivery might be long-term or it might be short-term, and it might be designed to show that there is a market for services that other funders would eventually fund.</td>
</tr>
<tr>
<td>25 The National Strategy should clarify the extent of the contribution needed from the Money and Pensions Service in providing funding (including seed funding) for direct delivery in specific areas. The Money and Pensions Service’s Board should decide funding levels and outcomes for this direct-to-consumer delivery.</td>
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<tr>
<td>26 The Money and Pensions Service should work with other organisations to get delivery initiatives off the ground, and give organisations practical support to embed these initiatives into activities that they undertake from their existing funding streams.</td>
<td>The Money and Pensions Service should always consider whether it should go further than simply providing insight to organisations.</td>
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</table>
Debt was a key strategic responsibility for MAS. The Financial Claims and Guidance Act has also given the Money and Pensions Service statutory responsibility for pensions guidance and financial education among its functions.

To meet its strategic responsibility, MAS created the Debt Advice Steering Group (DASG) as a parallel structure to the Financial Capability Board, with the remit of coordinating the debt advice sector. The DASG was responsible for working with MAS and (in theory) the Financial Capability Board to identify opportunities to improve the efficiency, effectiveness and reach of free debt advice in the UK. It has however been clear since 2015 that the DASG has operated completely independently of the Financial Capability Board. We have had very limited engagement with the DASG, and therefore the section below is based on our understanding of developments in this area over the last three years brought to us by those who worked in MAS’s debt advice operations.

A Debt Advice Operating Group (DAOG) – in reality, more a series of interlinked working task-and-finish groups – was loosely linked to the DASG.

A significant difference between the Financial Capability Board and the DASG was the sheer scale of spending on debt advice. MAS spent well in excess of £40m on debt advice in each of the three years, rising to more than £55m.

Lessons learned

What went well?

The DASG requested, and gave authority for, MAS to commission an Independent Review of Debt Advice Funding. This was conducted by Peter Wyman, delivered more quickly than anyone expected, and was widely judged to be a success. From discussions about the consequences of the review, and based on previous discussions between three large charities and two banks, the idea of a Target Operating Model (TOM) for debt advice was born. The DASG then requested MAS to start work developing this model. This is a technology and partnership-assisted approach, combining the capabilities of leading free-to-client advice providers in an integrated system. The system would:

- track clients from start to finish of their debt advice journey using a unique identifier, which would mean that clients don’t get lost; and so data about the effectiveness of debt advice they receive can be gathered and examined for continuous improvements in quality;
- commit providers to developing a common taxonomy of steps in the debt advice journey, and a common suite of resources to increase practitioner competencies; and
- enable capacity-sharing between providers who offer services on the same channel.
Because it has the support of, and aims to incorporate the interests of, creditors, the view is that creditors will be much more inclined to refer consumers into debt advice.

As well as channel efficiencies that the TOM is intended to drive, DASG and MAS have committed to efficiencies and channel shift set out in Peter Wyman’s Review of Debt Advice Funding.

MAS also issued a call for evidence about evaluated practice in joining up financial capability provision with debt advice. The Money and Pensions Service is funding evaluation of what leading organisations are already doing to join the two together. This will create a body of evidence about joining up the two that can be disseminated across the sector.

As well as the DASG, task-and-finish working groups arising from the DAOG delivered several tangible outputs which gained broad support among stakeholders. These outputs, delivered in conjunction with MAS, included:

• the Standard Financial Statement – a tool for consistent assessment of over-indebted people’s financial situation, used across the debt advice and creditor sectors, launched in March 2017

• A strategic creditor ‘toolkit’, published in July 2017, setting out good practice for creditors in working collaboratively with debt advice agencies and supporting those in financial difficulties. This was followed by a local authority-specific version in December 2018

• A holistic review of debt solutions in the UK, culminating in a report published in collaboration with the University of Bristol in January 2018.

What didn’t go so well?

As we noted above, debt advice was not fully integrated into the Financial Capability Strategy. As a Financial Capability Board, we had no connection to the deliberations of the DASG, despite MAS staff being present across both. Notwithstanding the place the DASG had been given within the overall governance architecture in the 2015 strategy, any joining up was done by MAS staff and the MAS Board.

All the lessons learned about the Financial Capability Board and steering groups set out above appear to be more or less equally applicable to the DASG and DAOG. There were challenges over ambiguity between advisory or accountable roles; imperfect lines of communication; and ambiguity over decision making in the DASG versus the MAS Board.
Recommendations

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</table>
| 27 The National Strategy should take a holistic and integrated approach, addressing the specific responsibilities placed on the Money and Pensions Service in the Financial Guidance and Claims Act in relation to its objectives and functions. Governance mechanisms should reflect this approach, the needs of devolved nations, and should fully incorporate debt advice, children and young people and pensions guidance stakeholders. | The Financial Guidance and Claims Act 2018 requires the Money and Pensions Service “to develop and coordinate a National Strategy to improve— (a) the financial capability of members of the public, (b) the ability of members of the public to manage debt, and (c) the provision of financial education to children and young people”.

Given the wording of the Act, it might be decided that three distinct strategies are needed. In other words, that improving the ability of members of the public to manage debt (and the provision of financial education to children and young people) will be seen as separate problems from the National Strategy for financial capability. This would be a mistake, because they are fundamentally interrelated. And although there is no statutory duty for the Money and Pensions Service to set a strategy for pensions guidance, the National Strategy should also look at the role of pensions guidance in financial capability, and consider how its coordination mechanisms can be used to improve the quality and availability of pensions guidance. |
9. Public financial guidance

Public financial guidance refers to impartial, publicly funded services delivered via a telephone contact centre or digitally, primarily by the Money and Pensions Service’s three legacy organisations, the Money Advice Service (MAS), The Pension Advisory Service (TPAS) and Pension Wise. It is a deliberate complement to regulated financial advice.

The 2015 strategy had relatively little to say about regulated financial advice, public financial guidance, or the information provision dimension of guidance more generally, beyond an expectation that MAS would look to fill guidance gaps, based on its observation of people’s behaviours, the likely detriment to particular consumer groups, and the extent and effectiveness of existing provision. The 2015 strategy was also expected to look at ways to improve consumers’ access to, and understanding of, guidance and regulated financial advice (for example in relation to retirement savings).

As MAS’ work on public financial guidance was separate from the mechanisms of the Financial Capability Strategy and the workings of the Financial Capability Board, this section is based on reflections brought to us by MAS staff in particular.

There was no single steering group specifically focused on guidance generally, and the Financial Capability Strategy did not explicitly incorporate public financial guidance into its theories of change, or (apart from discussion in the context of retirement planning) into its deliberations.

There is no firm evidence-based understanding of the relationship between the provision of impartial guidance information and improved financial capability.

The creation of the Money and Pensions Service has put guidance centre stage. As the official guidance body, the Money and Pensions Service has a role to coordinate others to raise quality (including setting standards as a statutory duty), engagement and reach of guidance. It also has a role to identify gaps in provision, quality, engagement and reach that it alone can fill.
The National Strategy should set out a working assumption of the relationship between public financial guidance and improved financial capability that can be tested. The “theory of guidance” developed as a result should incorporate guidance that is close to the regulatory boundary, as well as guidance that is closer to information provision. As the guidance body, the Money and Pensions Service has a role to coordinate others to raise quality (including setting standards as a statutory duty), engagement and reach of guidance. It also has a role to identify gaps in provision, quality, engagement and reach that it alone can fill, and to promote an evidence-based view of financial guidance.

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<tr>
<td>28</td>
<td>The National Strategy should set out ways in which new approaches to engaging consumers with guidance, and raising its quality, can be developed and shared with guidance providers.</td>
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<tr>
<td>29</td>
<td>All guidance providers should have a forum where they can meet, discuss common topics and collaborate on common activities under the umbrella of the National Strategy. This forum could also enable guidance providers to speak with one voice in relation to influencing and policy making (e.g. with FCA on any further FAMR developments or similar initiatives).</td>
</tr>
<tr>
<td>30</td>
<td>All guidance providers should improve quality, engagement and cross-referral to ensure that guidance reaches more consumers at the right place and right time, focusing on gaps identified in the “Right Place, Right Time” report.</td>
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<tr>
<td>31</td>
<td>Working closely with the FCA, the National Strategy should set a goal to increase consumer understanding of the differentiation between money guidance providers and organisations offering regulated financial advice. As a result of all the above, “guidance” should become a more meaningful term from a consumer perspective, and awareness of all available sources of guidance should be increased.</td>
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</table>
Because financial capability does not have the longer history of public focus, nor the wide social priority that has been accumulated by other social problems such as mental health, it is a greater challenge to make the case for investment and action by the widest possible range of organisations.

During the period since 2015, MAS carried out three pieces of work to look at a narrow but important part of this case: the monetary return on investment on debt advice and financial capability.

Lessons learned

What went well?

The first MAS report, Europe Economics’ Economic modelling of the impact of improved financial capability (November 2016) modelled the personal financial benefits that would arise for the UK adult population over a 30-year period from a sustained improvement in financial capability. In the central scenario, which simulated an across-the-board increase in financial capability of one point on a nine-point scale, the model estimated a benefit for the UK adult population as a whole, over a 30-year period, of around £108 billion (2015 prices). Of this amount, £80 billion would be in the form of higher wealth for the UK population while consumption would increase by £29 billion. However, this was only a model. Although the report was based on real-world data for personal financial benefits, it was not based on real-world examples of interventions proven to improve financial capability, because there was simply not enough data to draw on.

The second MAS report, the Economic Impact of Debt Advice, published in January 2018, demonstrated a financial return of up to £960 million per year to the UK economy as a result of people receiving debt advice. MAS estimated that total annual investment in debt advice is up to £200 million. The analysis suggests that an increase in numbers of people seeking advice (with an increase in funding and/or change in delivery channel mix to support this) would generate a proportionate rise in financial return to the UK economy.

The debt advice research followed conservative assumptions, relying on robust and reliable evidence from only four of twelve areas where there was plausible impact. This meant that the level of confidence in these figures was high, and it is likely that there are even greater benefits being realised.

What didn’t go so well?

Wanting to drive the thinking further, MAS commissioned a literature review from Belmana to determine whether evaluations of real-world interventions had quantified impacts from improvements in financial capability.

However, Belmana found that empirical evidence on impacts was extremely sparse. Evaluations rarely track participants for sufficiently long after an intervention has finished, because doing so is both expensive and as time goes on increasingly difficult. Another purpose of the literature review was to identify evidence of impacts of improved financial capability beyond personal financial benefits, i.e. social return on investment. The best evidence was associated with changes
in stress and mental health due to changes in levels and types of debt – which was in turn based on the debt report referred to in the previous paragraph. So the Belmana report found that almost no organisations anywhere in the English-speaking world had measured financial benefits of improved financial capability, and that the best evidence of social return on investment came from debt advice, not financial capability.

Monetary return on investment is important to making a business case, but it is not the only way to show the value of financial capability to other organisations. Evidence about the links with mental health, and broader wellbeing, may not be captured in monetary terms, but may be measurable.

During the first three years of the 2015 strategy, no comprehensive or strategic attempt was made to link financial capability to all the broader social drivers that enjoy widespread government prioritisation and funding.

### Recommendations

<table>
<thead>
<tr>
<th>Recommendations for the National Strategy</th>
<th>Comments</th>
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<tbody>
<tr>
<td><strong>33</strong> The National Strategy should map and document all the links between financial capability and well-funded/prioritised social problems such as mental health, employability, wellbeing, numeracy and more.</td>
<td></td>
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<tr>
<td><strong>34</strong> The Money and Pensions Service should consider the case for studies that follow up recipients of effective financial capability interventions to capture the personal or social benefits that arise, and where they have monetary values develop them into a monetary return on investment model.</td>
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Other developments

Since the Financial Capability Strategy was launched in 2015, there have been many other initiatives, campaigns and programmes that aim to contribute to improving the financial capability of UK consumers. Some of these activities have been more closely aligned with the Financial Capability Strategy than others. But all have contributed to the growing sense that financial capability is an important societal issue that impacts mental and physical – as well as financial – health, and that requires collaboration within and between organisations and sectors.

These initiatives also underline the way in which forums and collaborative structures can be productively used – engaging policy makers, regulators, civil society, commercial organisations, market participants and service deliverers to address complex societal problems in a systemic way.

Examples of important initiatives relating to financial capability that have been developed by a variety of organisations outside the remit of the 2015 strategy include:

- the Financial Inclusion Commission – an independent campaigning body made up of parliamentarians and experts, whose aim is to promote financial inclusion on the public policy agenda;
- the Financial Inclusion Policy Forum – set up in November 2017 and co-chaired by the Economic Secretary to the Treasury and the Minister for Pensions and Financial Inclusion, this bi-annual Forum brings together leaders from industry, third sector, ministers and the regulator, to ensure collaboration across government and with the sector on financial inclusion issues;
- Insuring Women’s Futures – run by the Chartered Institute of Insurance, this is a programme involving leading insurance professionals, businesses, policy and third sector organisations and experts on issues relating to women’s risks. Its aim is to evolve the insurance and personal finance profession’s approach to women and risk, working with all those with a shared interest in improving financial security for women and society as a whole;
- the Financial Conduct Authority’s work on high cost credit, retirement outcomes, and vulnerability;
- the Financial Advice Market Review (FAMR);
- the FCA and The Pensions Regulator’s retirement strategy – this is a significant collaborative and outcomes focused plan covering how they intend to work with industry on pensions and pensions guidance, including a focus on vulnerability and high cost credit;
- PSD2 (revised Payment Services Directive) and Open Banking – these initiatives have led to the emergence of new apps that include AI-driven nudges (such as Moneyhub), alternatives to high cost credit and salary loans (such as Credit Spring) and the first fully automated regulated financial advice firm (Multiply); and
- Good work: the Taylor review of modern working practices.
Those working on the National Strategy should recognise that, despite its wide-ranging remit, it will not cover every initiative or programme relating to financial capability, nor should it aim to become the preeminent organiser on every issue. The existence of activities outside the 2015 strategy shows that the issue is being taken seriously by a wide range of organisational actors. There is much to be gained by participating in other initiatives. Those working to support the National Strategy will need to decide how best to engage with complementary initiatives to avoid duplication and ensure that the greatest impact can be achieved as effectively and efficiently as possible.
Conclusions

The ultimate goal of the National Strategy should be that everyone in the UK manages their money as well as they can, increasing health and wellbeing, productivity and prosperity.

But that population-level goal is a long-term one that will take a decade or two to reach, and will need a combination of fundamental policy and system changes as well as action by many different organisations that come into contact with consumers on the frontline.

In order to reach the ultimate goal, we would need to change the way many organisations work, so that effective help with financial capability is recognised as normal practice – just as conversations around mental health issues have become more acceptable and mainstream.

To reach the end state we believe the National Strategy should prove that collective and collaborative action can achieve major impact on consumers by December 2022.

This will require a step-change in the volume and impact of new, coordinated activity by organisations other than the Money and Pensions Service, that takes place as a result of the National Strategy.

If we can demonstrate this, we will prove the value of a National Strategy (including in devolved nations); raise the profile of financial capability as a consumer issue; and this in turn will set the stage for more fundamental policy-led system changes that are needed over the medium and long term.

The 2015 strategy set out the nature and scale of the problem, and proposed a framework to address it. A strong and robust evidence base has been built up over the last three years, and as a result we have a much better understanding of what works and what doesn’t in terms of improving financial capability.

The next phase must build on what has been achieved, learn lessons from the past and move forward at a much faster pace, turning a body of evidence into action that ultimately has a greater impact on improving the way consumers across the UK manage their money.
What’s next?

This document is part of the Money and Pensions Service’s listening phase, in which the Money and Pensions Service is engaging with a wide range of stakeholders to hear views about both the National Strategy and its own Corporate Strategy.

To make it easier to obtain and collect feedback from stakeholders about the National Strategy, it has set out a series of its own questions after reflecting on this lessons learned document. These are available within the broader Listening Document published by the Money and Pensions Service.

To find out how you can take part in the listening phase, please go to

Our listening events page

or email

listening@maps.org.uk