

Financial Inclusion Strategy for Wales

Comments on the draft framework

NIACE Dysgu Cymru

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Financial Inclusion Strategy for Wales

Name:

Richard Spear
Director

Organisation:

National Institute of Adult Continuing Education (NIACE) Dysgu Cymru

Address:

NIACE Dysgu Cymru
3rd Floor
35 Cathedral Road
Cardiff
CF11 9HB

Tel: +44 (0)29 20370900

Fax: +44 (0)29 20370909

Email: cerys.furlong@niacedc.org.uk

NIACE Dysgu Cymru is happy for this response to be published.

Laura Benbow
Communities Directorate
Welsh Assembly Government
Merthyr Tydfil Office
Rhydycar
Merthyr Tydfil
CF48 1UZ

Introduction

About NIACE

1. The National Institute of Adult Continuing Education (NIACE) is the national, independent organisation for adult learning in England and Wales. As a registered charity, founded in 1921, NIACE both represents and advances the interests of all adult learners and potential learners – especially those who have benefited least from education and training. NIACE aims to improve opportunities for adult learners across all sectors with a particular focus on those adults who have not had successful access to learning in their initial education.
2. **NIACE Dysgu Cymru (NDC)** conducts work in Wales under the umbrella of NIACE supported by a Management Group, which is elected by NIACE members in Wales. The membership of NDC comprises almost all further education colleges, all Local Authorities, most higher education institutions, individuals, Careers Wales, TUC, Ufl and other representatives of a range of organisations whose focus is specifically on responding to the needs of adult learners.

General Comments:

3. NDC welcomes this positive initiative from the Welsh Assembly Government. Developing a strategy for financial inclusion that is integrated with wider social and economic development policies shows Wales is leading the way in this important area. It is worth noting that a similar approach is also being incorporated into public policy at a local level in some places in England. NIACE would be happy to further discuss these developments.
4. In particular, NDC applauds the recognition, in this initiative, that improving the country's economic well-being will require a partnership approach. However, NDC believes that there are opportunities to make further linkages that could enhance the overall impact. In particular, we feel that there should be a strong linkage made with employment, economic development, entrepreneurial, and other wealth creation strategies within Wales. The indicators of financial exclusion cited in the document are, in the main, symptoms of a wider nexus of social indicators that are invariably strongly linked to exclusion from the workforce. Indeed, the EU has recently made explicit reference to exclusion from employment in the context of its wider social and financial exclusion policies¹.
5. While the strategic focus of this document is welcome, NDC suggests that it tends to identify financial exclusion as a feature specifically located in marginalised groups. While it is important to identify the social exclusion

¹ <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52007dc0620:EN:NOT>

faced by many with poor financial literacy skills, it is also important to beware of implying that only those who are social excluded, have poor financial literacy skills. It is also true that poor financial literacy skills are found across all social groupings. Indeed most people recognise that they would benefit from some form of additional financial skills and understanding. NDC would suggest therefore, as an alternative, that the policy emphasises personal financial and other economic skills as an important element of both of personal success and of the overall success of the Welsh economy.

6. Financial literacy has rightly grown in importance over recent years. Increasingly, individuals are expected to become more self-reliant. Increased competition and more complex products in the financial services industry leave many people ill-equipped to cope with the sophisticated choices they may need to make. Compared to previous generations, there is now a wide variety of ways individuals generate and dispose of their income. The changing world of work and has made a consistent income over a long period a rarity. At the same time, people are living longer and need to make greater provision for retirement, health care and insurance.
7. However, increasing access to financial products and services alone will not address these issues. Individuals must also have the appropriate skills to ensure they know how best to use, and make informed decisions about the products and services available.

A number of comments are offered below, in relation to the specific questions:

Q1. Do you agree with the Strategy's proposed 5 core themes?

NDC broadly agrees with the core themes but we feel that it would be beneficial to explain in more detail the rationale for the selection of each of the five strands as the most effective strategic pathways for tackling the central mission of reducing poverty.

In relation to the core themes of 'Access to Mainstream financial services' and 'Affordable Credit and Loans' specifically, while these are undoubtedly vitally important themes, separating the two and associating affordable credit and loans primarily with Credit Unions has the potential to reinforce the idea of exclusion from mainstream financial services through creation of a separate strand of 'special' providers and products for low-income households.

While NDC welcomes the commitment in One Wales to establish Credit Unions as a form of social enterprise, it is important to acknowledge that Credit Unions as financial services providers may be one of a range of available alternatives which also include established banks and building societies. In addition, on an individual basis, Credit Unions may not always represent the most suitable provider or be able to provide the full range of services including insurance and savings outlined in the 'affordable credit and loans' theme. One of the intended

outcomes of increased levels of financial education is to enable consumers to recognise and make informed choices about their needs, selecting the appropriate financial products and services and potentially overcoming self-imposed barriers. Barriers such as suspicion of, or lack of familiarity with, mainstream financial services can lead to use of doorstep lenders and loan sharks. This also recognises that use or non-use of financial services varies depending on the changing circumstances of individuals and households. Moreover that financial inclusion/ exclusion is not a static state, particularly in light of the potential for progression after uptake of basic bank accounts and development of a credit history.

In addition, further consideration should be given to the range of financial services delivery channels, and how the Welsh Assembly Government can work with financial services providers to address the frequent mismatch between customer needs and the products offered, particularly in light of the difficulties posed by withdrawal of local bank branches and financial services provision. On this basis, combining the two themes and adopting a more holistic approach to financial inclusion in relation to the provision of financial services may be more appropriate.

Q2. Examples of what actions need to be taken under each theme are given. The list is not exhaustive; what other actions should be included?

NDC believes that financial literacy must be available to individuals of any age and that the Welsh Unit for Financial Education should have a clear all-age remit.

NDC believes it is important to recognise the role of adult and community learning in engaging some of the most marginalized and socially excluded in society, many of whom are outside statutory education. As such, NDC would like to see opportunities for improving financial literacy and capability in adult and community learning and the voluntary sector, in addition to schools and further education. Indeed the best way to address financial education within disadvantaged communities is to work through respected and trusted local groups. The voluntary sector is particularly successful at reaching key groups at risk of financial exclusion, e.g. lone parents, ethnic minorities, people with disabilities, social housing tenants, older people etc.

As outlined above, NDC also believes that greater linkages should be made with employment, economic development, entrepreneurship and wealth creation strategies within Wales. As such, NDC would like to see this strategy deliver the One Wales commitment to create and develop links between education and entrepreneurship.

NDC believes that the link between levels of basic skills and the use of financial products and services is clear. Research shows that if the right products are available people can make informed judgements and take effective decisions

regarding their own financial situation. However, there are a number of key barriers to be overcome including:

- Low skills levels
- A lack of knowledge of products and services
- Mistrust of suppliers
- Lack of confidence
- A feeling of loss of control over money

There are a number of ways in which these barriers can be overcome:

- The provision of appropriate information
- Making that information available through appropriate channels- trusted intermediaries
- Making it easy and attractive for people to learn the skills they need to use that information effectively.

In addition to the above, NDC believes that there could be a targeted approach towards those with low levels of literacy and numeracy skills where this has been identified as a barrier to gaining employment.

There is also potential to link the financial capability/ literacy work to the Employer Pledge as this already provides a funded route to learners in the workplace.

Q3. The Strategy will be developed in partnership with partner agencies and examples of these are given. Again, this list is not exhaustive but who else should be involved?

In addition to those organisations stated, NDC believes that the strategy should be developed in partnership with:

- Basic Skills Cymru
- Financial Services Skills Council
- NIACE Dysgu Cymru

Q4. Evidence Base – are you aware of any research/data that could contribute to the evidence base?

NIACE and Basic Skills @ NIACE² undertake a wide variety of research and developmental work in the area of financial literacy. Please see Annexes A, B,C & D at the end of this document.

Further evidence is also available online:

² Formerly the Basic Skills Agency

Financial literacy and family learning:

<http://niace.rcthosting.com/cms/media/hidden/fin%20lit%20and%20family%20learning.pdf>

Financial literacy for vocational learners in Further Education:

<http://niace.rcthosting.com/cms/media/hidden/financial%20literacy%20for%20vocational%20learners%20in%20fe.pdf>

Report on the assessment of the training needs of financial capability practitioners 2006:

<http://niace.rcthosting.com/cms/media/hidden/report%20on%20the%20assessment%20of%20the%20training%20needs%20of%20financial%20capability%20practitioners%202006.pdf>

Let's Talk about Money project:

<http://www.niace.org.uk/projects/letstalkaboutmoney/Default.htm>

<http://www.money-bsa.org.uk/site/page.php?cms=8&p=1513>

Q5. Priority Groups – should other groups be added to this list? If so, why and what evidence is there to support their inclusion?

NDC is pleased to see that Older People have been identified as a priority group. There are a number of important factors to consider when addressing the financial literacy needs of older people- not least issues to do with the increasing use of ICT. In terms of accessing financial services, increasingly people make use of ICT. Although growing numbers of older people have the ability and skills to use ICT, a large proportion still do not.

Q6. Making it happen

- i) *Would you be interested in joining a Welsh Financial Inclusion Network (virtual network to encourage information sharing, joint working etc)*

Howard Gannaway, NIACE Research Fellow in Financial Education was a member of the original consultative group. NDC would be keen to be members of the virtual network.

Q7. Monitoring and Evaluation – further suggestions for possible indicators welcomed.

In particular, NDC welcomes the inclusion of soft indicators.

Q8. Case studies – examples of good practice in the 5 core themes welcomed.

Between October 2005 – December 2006 the Basic Skills Agency worked with six organisations across England to carry out research and development work into the most effective ways of delivering literacy and numeracy in a financial context. This was within in six distinct settings, which were: prison, community, FE college, workplace & trade unions, family learning & children’s centres and the voluntary sector.

The aims of the projects were, in each setting, to:

- Analyse gaps in provision and resources;
- investigate the literacy, numeracy and financial capability needs of the learners;
- develop innovative ways for learners to improve their literacy and numeracy through financial literacy;
- pilot these ways of learning;
- develop materials and guidance resulting in replicable ‘models’ of delivery.

Please find attached summary reports from the project that were carried out in the following settings: FE, workplace and trade unions, family learning and the voluntary sector.

Q9. Any general comments?

In terms of the strategic context NDC believes that the strategy should also be mindful of the following key documents:

- The Learning Country: Vision into Action
- Wales: A Vibrant Economy
- Words Talk, Numbers Count.