

**Money Advice Service:
UK Financial Capability strategy call for evidence**

Response from

**Personal Finance Research Centre
University of Bristol**

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We are pleased to submit a response to this call for evidence, to inform the new UK Financial Capability strategy.

Research carried out by the Personal Finance Research Centre for the Financial Services Authority in 2008¹ identified a worrying lack of robust evidence about the effectiveness of financial education and financial capability training, particularly given the large number of organisations that invest in this type of education and training.

Since that time, international initiatives involving the OECD, World Bank, DFID and others have sought to enhance the research evidence base.

We remain deeply concerned that the design and implementation of UK financial education and training (especially for adults) does not always learn from experiences elsewhere. We believe that the Money Advice Service has an important role to ensure this learning does happen in the future.

The rest of our response relates to research that PFRC has been involved in, to evaluate the effectiveness of financial education and training in changing knowledge, attitudes, skills and behaviour.

1 Evaluation of CAB financial skills training for social housing tenants

Between June 2011 and March 2012, Bedworth, Rugby and Nuneaton CAB (BRANCAB) delivered short financial skills training sessions free-of-charge to tenants of Orbit Heart of England Housing Association (OHE) living in Rugby and Stratford.

Participation in the training was voluntary and it was not targeted specifically at tenants in rent arrears or at any particular group of tenants (such as lone parents). The aim of the training was to enable tenants to maximise their available income, help them access and use appropriate financial products and in turn avoid financial difficulties.

The impact evaluation conducted by PFRC was designed to demonstrate whether or not any benefits gained by tenant learners could be attributed to the training. This was achieved by carrying out before-and-after surveys with both tenant learners and a comparison group of tenants who lived in areas where the training was not available. These surveys showed that those who took part were more likely to improve their financial skills, gain financial confidence and access appropriate financial products.

¹ Atkinson, A. (2008). *Evidence of impact: An overview of financial education evaluations*. London: FSA

71 per cent of tenant learners reported being more financially confident as a result of the training, compared to just 13 per cent of the comparison group. Other positive financial changes reported by the vast majority of tenant learners, included:

- 78 per cent changing how they managed their money since the training, compared with only 36 per cent of the comparison group;
- Tenant learners who changed how they managed their money as a result of the training were, on average, £10 per week better off as a result;
- Tenant learners who changed their saving behaviour saved, on average, an extra £11 per week;
- 13 per cent had either opened or switched bank account, or opened a credit union account, compared with three per cent of the comparison group;
- 18 per cent planned to open a credit union account, while none of the comparison group had any such plans.

The research report and appendices can be downloaded from:

www.bristol.ac.uk/geography/research/pfrc/themes/fincap/guids-in.html

2 International research

Elaine Kempson (Emeritus Professor) and Sharon Collard (PFRC Director and Senior Research Fellow) were advisers to the World Bank-led Financial Literacy and Education Russia Trust Fund. This comprised two extensive programmes of work: (1) measuring financial capability, which directly built on and expanded the FSA's Baseline Survey of Financial Capability²; and (2) evaluating financial education interventions. Both programmes of work were carried out in low and middle income countries, but the methods and findings are equally relevant to high income countries.

Sixteen large-scale evaluations were funded by the Russia Trust Fund. Of the ten completed evaluations, three found evidence of effectiveness; six found mixed evidence of effectiveness; and one found no evidence of effectiveness (a Kenyan initiative involving comics).

² Atkinson, A., McKay, S., Kempson, E., and Collard, S. (2006). *Levels of financial capability in the UK: Results of a baseline survey*. London: FSA

Important lessons from the programme included:

- Financial capability interventions that utilise mass media and social marketing tools promise to be especially effective.
- Financial capability interventions work better when the content is relevant, targeted at the right audience, and delivered at teachable moments. This is an obvious point, but most providers and researchers tend not to focus much on developing the financial capability content, but rather use generic materials.
- Interventions can be effective in changing individual decision-making even in cases where the financial literacy (i.e. knowledge) of the individuals does not improve.
- Impacts from one-time interventions fade over time, so interventions may need to be repeated to maintain their effect.

The programme outputs include a Toolkit for the evaluation of financial capability interventions.

Full details of the financial capability measurement and evaluation programmes can be accessed at: www.finlitedu.org/news/26/

In addition, Elaine Kempson was an expert adviser to DFID's Financial Education Fund, which funded financial capability programmes and evaluations in Africa. Full details can be accessed at: www.financialeducationfund.com/

3 Other research

Other studies conducted by PFRC may be of interest to the Money Advice Service even though they do not measure the impact of financial education or training:

- We were commissioned by Arrow Global to look at the barriers and motivations to debtor engagement with creditors and debt collection agencies. Based on the findings of the research, Arrow Global plans to take forward a programme of interventions to test ways of improving debtor engagement.
- We were commissioned by the UK Cards Association to explore ways of helping consumers better understand the costs of using their credit cards. This resulted in the CardCosts web tool, developed jointly by PFRC and the University of Bristol's IT R&D department, in partnership with the UK Cards Association. For details see: www.bristol.ac.uk/geography/research/pfrc/themes/credit-debt/cardcosts.html
- Later in 2013, we will conduct data analysis to explore the inter-relationships between financial capability, financial literacy and financial inclusion.