

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

Consultation response to Bethan Jenkins AM

Action for Children-Gweithredu dros Blant

Action for Children-Gweithredu dros Blant speaks out for the most vulnerable and neglected children and young people in Wales and the UK. Through our community based services we support children and young people to break through injustice, deprivation and inequality, so they can achieve their full potential. Action for Children works directly with more than 300,000 children, young people, parents and carers each year. We also promote social justice by lobbying and campaigning for change.

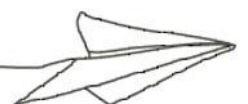
Introduction

Action for Children – Gweithredu dros Blant welcomes the opportunity to contribute to the development of the Financial Education and Inclusion (Wales) Bill. We know first-hand from our everyday work with vulnerable young people and families in Wales that those who experience significant difficulties in their lives often struggle to manage their finances, and are particularly exposed to financial risks. Poor financial literacy and subsequent money struggles, including debt, has a devastating global impact on children, young people's and families' lives, including upon their health, housing, emotional wellbeing and ability to build social capital.

Our response has been developed based on conversations with young people whom we support and our service managers, and reflects their priorities for increasing financial literacy amongst vulnerable children, young people and families in Wales. Children and young people facing additional challenges, such as being looked after, having special educational needs or being a young carer, often struggle to engage with education and will require additional support to ensure they are able to develop the financial and other life skills they need for independence, including budgeting, managing bills and understanding loans.

Young people have described their experience of debt as a mistake that they didn't know they were making and one which is nearly impossible to put right without extensive support. We work with vulnerable young people who do not have the financial skills they need for independence when they reach adulthood, and for whom it is all too easy to become trapped in a negative cycle of debt: one of our service managers described it as "Children are seen as making life choices that are their own fault when they are still only children."

Our response to this consultation focuses on what can be done to build financial literacy amongst the most vulnerable children, young people and families and give them the skills and tools they need to manage money safely and independently. It is clear however that financial literacy and advice is part of a solution to the enormous consequences of high cost loans, loans and services. We know from our work with young people and families that those least able to afford these high cost services and the least equipped to deal with the consequences are often targeted by companies to use them. We believe that



all political administrations in the UK should use their respective powers and work in partnership to protect the most vulnerable citizens from the escalating impact of high cost loans, goods and services.

Action for Children-Gweithredu dros Blant has worked in partnership with Barclays Money Skills for more than six years to deliver financial education to vulnerable young people and families. We have a long-term and innovative partnership to help vulnerable young people in Wales, and across the UK, manage their money better by improving their financial capability through basic money management guidance. Action for Children-Gweithredu dros Blant is able to reach out to the most vulnerable young people and families, many of whom are trapped in cycles of deprivation, and together with Barclays expertise equip them with the knowledge, skills, and confidence to manage their money well.

Key points:

- For vulnerable young people such as care leavers, disabled young people and young parents, support to understand and be in control of their money is an important part of their wellbeing.
- Without access to the right financial support the most vulnerable young people are ill-prepared to live independently and plan for their futures.
- Through targeted practical support to vulnerable young people and families which equips them with the knowledge, skills and confidence to manage their money effectively, we can begin to overcome intergenerational cycles of deprivation.

Consultation questions

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

Increased financial education in schools could better prepare children and young people who are engaged in school and able to access the full curriculum, and ensure they have a baseline of financial education by the time they leave compulsory education.

The most vulnerable children and young people, including those who are looked after, disabled, have learning difficulties, young carers, and young parents, face significant challenges which can mean they are not able to access education in the same way as their peers. This can be for a wide range of reasons including additional educational needs, caring responsibilities, and frequent moves to different areas and schools.

One of our service managers explained: “young people are fearful of banks, they find them intimidating. Poor literacy skills for some young people mean they avoid situations where they might have to fill in forms and the don’t understand bank statements etc. Someone calling to your door seems like an easier option especially for those young people on benefits and who have low confidence.”

A more targeted response than the curriculum is required for these young people, to ensure they have appropriate access to the right support and an opportunity to build the financial skills and understanding they require. An effective, strategic response to the most vulnerable young people and families will require partnership with other agencies, including flying start, families first, supporting people and social services teams to ensure these groups are able to access the right support as early as possible.

Action for Children – Gweithredu dros Blant runs Barclays Money Skills across our services in targeted and universal settings with 16-25 year olds. In Wales, this includes services commissioned by Families First and Supporting People departments. The Barclays Money Skills programme supports young people to identify actions they can take to improve their financial situation, including

- Understanding where money is spent, making a budget and managing borrowing and debt.
- Learning about financial products in order to make the right choices about opening a bank or understanding the range of bill payment options.

- Increasing confidence about financial planning by building on existing skills.

We are able to work flexibly with vulnerable young people and parents, according to their particular need. A responsive program suited to the particular needs of the individuals within a group is central to the program's success, as the program can be tailored to focus on particular skills and areas of need. We believe this is the best way to reach the most vulnerable young people and families. The impact of the programme goes further than the individual we work with and can impact the life of their families, especially when delivered alongside other life skill programmes such as parenting courses.

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

We agree an increased focus on financial inclusion and financial literacy is required. However it would be useful to consider whether existing mechanisms could be used to achieve this effectively, such as requiring local authorities to fulfil this duty through the Single Integrated Plan which all local authorities complete with partners, through Local Service Boards. A clear advantage of embedding the requirement to promote financial inclusion a shared plan is the ability to draw in other partners to help achieve shared goals and to ensure actions to increase financial inclusion are aligned with actions on other key priorities such as tackling child poverty.

We know that financial difficulties have a global effect on vulnerable young people and families' lives, and accessing the right support may require support from outside the local authority. We have recently had a series of conversations with young people and our service managers across the UK and asked about whether they had seen increased financial exploitation of our young service users and to describe the impact this has on their lives. We identified that vulnerable groups like care leavers, are at risk of being exploited as they struggle to become self-sufficient.

It is clear that the young people least equipped to recognise and manage the consequences of using high interest credit, cash and goods are at high risk of using them. 42% of the staff whom we contacted across the UK were aware of service users aged 16-25 who are accessing high interest credit, cash and goods, and the top 3 reasons were to pay off existing debt, to pay for food and to pay utility bills. There is an alarming discrepancy between the amount initially borrowed by our service users to cover these immediate costs, on average between £100 and £200, and the massive debts then incurred because of penalty charges and inflated interest rates.

"It impacts on their ability to fund basic needs e.g. food, heat, clothing. High interest puts young people further into debt and all money goes on charges and arrears. Young people are then subject to exploitation from others, some sexually, relying on others to provide them with food/accommodation etc. Young people shop-lifting to survive, at risk of criminalisation. Difficulties at home with family members, increased stress causing increasing conflict and leading to potential homelessness. No money to afford transport costs to attend Training/education".

"Within our service there are a number of young parents who have accumulated debt, particularly during the festive period which subsequently impacts upon their own anxiety levels as debts continue to grow. Ultimately, this has an impact upon their own children and the quality of food, materials which is provided at all other times."

This is just one illustration of how complex vulnerable young people's and families lives can be and how financial difficulties can act as a catalyst which causes extreme hardship and suffering, particularly for children. A fully co-ordinated response to financial inclusion, which takes account of and responds strategically to the most vulnerable in a community as early as possible is required.

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

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

We agree, these are important areas for local authorities to consider and act upon with other partners.

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

There are a number of key areas which a strategic approach to financial inclusion and financial literacy should cover:

- ensuring there is a strategic response to vulnerable young people and families, and they are able to access financial support and skills development as part of an early social care offer to prevent problems escalating
- ensuring vulnerable young people and families are able to access high quality information and advice to ensure they are able to claim their entitlements to welfare and other support
- consideration of how the local population uses high interest credit, cash and goods, including doorsteps lending, and what actions can be taken to ensure people are aware of alternatives
- Accessibility of information and advice on financial services, and other support services such as grants for white goods and furniture

18. What are your views on enabling Welsh Ministers to issue guidance to local authorities about any aspect of their compliance with the provisions of the Bill (including the production and implementation of their financial inclusion strategy)?

This guidance would be useful, however for the reasons discussed above it should speak to local authorities and their partners to be effective.

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

A Financial Education and Inclusion (Wales) Bill has the potential to make a significant difference to the most vulnerable young people in Wales. We consider that this requirement on local authorities would be appropriate, and should extend beyond formerly looked after children to a much more inclusive definition of vulnerability to have the desired impact. Young people experience vulnerability for a range of reasons including being looked-after, disability, being a young carer or young parents. It will be important that any new obligation on local authorities is appropriately costed and resourced.

At a recent focus group with young people in Llanelli they identified that the young people most likely to be at risk of using high cost loans, goods and services are:

- Young people who live alone
- Care leavers
- Young parents
- Young people who misuse substances

Young people who use our services tell us that they are not able to manage their finances, and this has a negative impact on their lives. One young person from Swansea told us:

“Pay day loan companies and door step lenders make it so easy for vulnerable people to get into trouble.

They fail to carry out credit checks and promise almost instant cash. I'm a young Mum, and I owe about £600 to Provident and companies such as Wonga. I don't get hassled anymore as my support worker made some calls on my behalf. But the debts are still there. And I have a poor credit rating which will not impact on my future choices. I won't be able to get a mortgage or a bank loan"

Another young person from Swansea told us:

"Everything I earned went straight into paying bills and I didn't have any left over. It's really easy to get in with the Provident (Provident loan company), but then it's hard to get out of it once you're in it. My mum told me about it, that's how she lives. You'd have thought she would have not wanted me to get into it. ... I got into lots of debt, and it's taking ages to get out of it. I couldn't do it on my own"

Young people who face additional challenges in their lives or who do not have support from their families to help them navigate financial responsibilities require additional support to build the skills needed to manage their finances safely and independently. The knock-on effects of extreme debt on those people least equipped to support themselves out of it is devastating, as our service managers describe.

"Young people in our area are sometimes isolated and don't have an extended family to fall back on and with having young families they need to ensure that they can feed their children and have nowhere else to turn. The centre provides information for young people to access food banks, credit union and advice from citizens advice bureau to support their individual situations and young people are accessing these services but sometimes find they are so deep into debt that they can no longer see a way forward to support their individual situations."

"Borrowing is becoming easier for young people, they feel it is a quick fix without considering the consequences, the result is increased debt and inability to make repayments, day to day products such as food and bills are not being paid on time and this increases the stress and anxiety some of our young parents have regarding meeting their children's needs. They then rely on services such as the food bank to see them through."

A targeted response to vulnerable young people, including care leavers, is required to ensure they have the right support and an opportunity to build the financial skills and understanding they require. A requirement should be placed on local authorities to provide specific financial management advice to vulnerable young people and families who require additional support, including formerly looked-after children, disabled young people, young carers and young parents.

It is extremely important this requirement is not limited to those young people and families who are eligible for social services support. A broader more inclusive response is required which targets the most vulnerable through existing programs such as Families First, Flying Start and Communities First, and ensures these young people have access to remedial advice and support if they are already struggling and the chance to develop the skills they need to manage their money independently.

23. How appropriate or necessary would it be to require local authorities to provide specific financial management advice to individuals seeking assistance on other related matters?

In a recent focus group with young people in Llanelli about the consequences of debt and money worries on young people they described the following global effects on young people's lives. This is a powerful illustration of how far-reaching the consequences of debt are on vulnerable young people and families.

Effect on their money

- If paying off debts you will have less money for your home and bills

- Won't have enough money to be able to live

Effect on their relationship

- Loose trust in people
- Causes arguments between partners/family

Effect on their mind

- Causes worry, over-thinking and crying
- Causes people to have phobias
- Mental health including depression/stress
- Mind constantly distracted/poor concentration
- Feeling emotional, physical and mental hurt

Effect on their body

- Physical symptoms including nausea, headaches
- Feeling run down
- Drug and alcohol addiction

Effect on their future

- If paying off debts you will feel like you have no future, like you are stuck
- Won't be able to take out loans in the future when you might actually need them (credit rating)
- Won't be able to plan for the future or save money

We know from our day-to-day work with vulnerable young people and families that money issues and debt cause exceptional stress and worry for those least equipped to support themselves out of such problems. Money troubles exacerbate or sometimes even cause issues which lead to individuals and families requiring additional support from social care services. By assessing whether individuals may benefit from financial skills development earlier, we will be able to give people the tools to prevent issues escalating and reaching crisis.

Local authorities should embed financial inclusion and skills development at all levels of their social care and community support responses, from universal services such as Flying start and Communities First, through to targeted responses like Families First and Integrated Family Support Services and statutory social care services.

24. Do you foresee any financial implications, in terms of either costs or benefits, for any organisations or persons in relation to the proposals in this document? If so, can you describe and quantify these impacts?

By providing financial education and support to vulnerable young people and families we have a real chance to improve the key areas that affect children and young people's lives, such as poverty and inequality, together with this social and emotional dimensions of their well-being. This is crucial if we are to prevent parent – child cycle of deprivation which we know families in Wales struggle to escape. A comprehensive investment within existing structures would save money over the medium to long term compared to than the ongoing public costs of responding to increased need.

Contact details for further information

Thank you for this opportunity to speak about financial inclusion and financial literacy. This is a very important area of service provision and constitutes a huge opportunity to make significant positive impacts upon vulnerable children, young people and family's lives. We would be pleased to discuss these issues in more detail.

If you would like to discuss this or any aspect of this response further, please contact Rhea Stevens, Campaigns and Public Affairs Officer for Wales, on rhea.stevens@actionforchildren.org.uk or 07889 603962.

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