Financial Capability - Evidence Review

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Executive Summary

Introduction - what is financial capability?

This report provides a brief overview of current evidence on financial capability as it relates to disadvantage in Scotland. It was commissioned by the Scottish Government and carried out by the Employment Research Institute, Edinburgh Napier University in order to provide an evidence platform for stakeholders, with an interest in financial inclusion, to develop a more strategic approach in their support for financial capability.

Current high levels of individual indebtedness, an increasingly complex and rapidly changing financial landscape, an increased focus on individual responsibility and the effects of the current financial crisis, indicate there is a growing need for improved financial capability. However, as demonstrated by *Scottish Household Survey* (SHS) data, large parts of the population such as many young or unemployed people lack full financial capability. This report does not consider the availability and regulation of financial services as these are generally reserved matters and not directly the responsibility of the Scottish Government.

HM Treasury (2007: 19) consider financial capability to encompass:

> *"people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market."*

Based on the literature reviewed, the components of financial capability focused on in this report include abilities, understanding, competence, knowledge and motivations. As such the authors conceive a financially capable consumer as being able to deal effectively and confidently with:

- the day to day management of finances
- planning ahead (for retirement and unexpected events)
- efficiently selecting financial products and understanding these products
- knowing where, and how, to seek financial advice
- having the motivation to efficiently manage finances and effect change.

Who is affected by a lack of financial capability?

The evidence presented in this review indicates that in the UK, younger people, those on low incomes, those with children and those with poor levels of education, literacy and numeracy needs are most likely to have low levels of financial capability. Age and experience contributes to having greater financial capability (e.g. Financial Services Authority, 2006, see the report for additional references). Furthermore, the

SHS provides evidence across a representative sample of Scots on how households are managing financially. The SHS (2005-2009) suggests that:

- 19% of those in the most deprived areas are doing poorly in financial terms as opposed to 8% in the rest of Scotland
- In the most deprived areas some 24% of 26-35 year olds are doing poorly in financial terms compared to 5% of the over 60s (with 10% and 3% respectively for the rest of Scotland)
- There are relatively few differences between males and females
- 65% of those living in the most deprived areas have no savings compared to 34% elsewhere
- In particular, those on low incomes (under £10,000), those in routine or semi-routine occupations, part-timers, the unemployed and the disabled/long-term ill are not coping well financially.

What are the consequences of low levels of financial capability?

Those with the least resources are particularly at risk of serious consequences due to a lack of financial capability. Individuals lacking financial capability may:

- have limited basic budgeting skills and ability to make ends meet
- be compromising their employability due to their more limited skills and ability to compare career options effectively.
- be getting into unsustainable debt
- not be making non retirement savings or planning for retirement
- be experiencing highs levels of stress and anxiety
- be paying more for goods and services than they need to and may be taking risks, such as entering into a financial arrangement they cannot maintain if there is reduction in their financial position (for example due to sickness)
- not be able to cope with unexpected changes in their circumstances, resulting from bereavement, having a child unexpectedly or redundancy, for example
- be vulnerable to financial abuse from others, particularly older people
- affect wider social networks, such as friends and family, as well as the local economy.

Improving financial capability, examples of good practice?

The evidence reviewed suggests that to have greatest effect, strategies to improve financial capability should change individual attitudes and behaviour, rather than merely impart information. Lessons can be learned from financial capability and education strategies already in place in the UK. These strategies conclude that packages should:

- be tailored to the individual/group of learners
- have staff delivering the training who are skilled and financially confident
- recognise and develop the benefits of engaging with the local community
- provide information that is accessible
- be delivered via a range of accessible media throughout people's life-course

- empower individuals to make changes in their lives.

Conclusions and Recommendations

This review highlights that current high levels of unemployment and individual indebtedness mean that the need for improved financial capabilities is growing across Scotland, particularly for the most disadvantaged and those with reduced incomes. The evidence reviewed suggests that unemployment and indebtedness can have serious negative consequences, not only on individual and household finances, but also on their health and well-being, employability and on local and national economies.

The main recommendation made by the current authors is that the issue of financial capability, and its various components, is an important area for co-ordinated action by the government, other relevant authorities and private and third sector bodies. Those disadvantaged groups with low financial capability, and who are likely to suffer significant negative consequences when things go wrong, need particular support. This support should, where appropriate, be linked to other forms of support throughout the life-course, rather than being treated in isolation. Improving an individual's financial capability can enable them to participate more fully in society and help promote financial inclusion.

Financial Capability Evidence Review

1. Introduction

Financially capable consumers are those who can effectively and confidently manage their finances; access financial services; understand financial products, such as insurance; make informed financial decisions; and have the motivation to act on these (Financial Services Authority, 2006; Atkinson et al., 2006; HM Treasury 2007). However, large proportions of the population, particularly amongst the young and unemployed, lack this financial capability. This can have negative effects, not only on their finances but also on their health and well-being, their employability and on local and national economies. Improving financial capability should enable people to participate more fully in society and help to promote financial inclusion. This report was commissioned by the Scottish Government and undertaken by the Employment Research Institute, Edinburgh Napier University in order to provide a strong evidence platform to encourage stakeholders, with an interest in financial inclusion, to develop a more strategic approach in their support for financial capability. The review also intends to help stakeholders make informed decisions on resource allocation in this field and help shape Scottish Government activity in this area.

Current high levels of individual indebtedness, an increasingly complex and rapidly changing financial landscape, an increased focus on individual responsibility (see for example: OECD, 2005) and the effects of the current financial crisis, indicate there is a growing need for improved financial capability. This is particularly so for the most disadvantaged and those suffering reduced incomes due to changing circumstances. The UK government has recognised that it is important for consumers to have good financial skills (HM Treasury, January 2007). The Scottish Government has taken a preventative approach to poverty through the document *Achieving Our Potential* (Scottish Government, 2008a), which complements the *Early Years Framework* (Scottish Government and CoSLA, January 2009), and *Equally Well* (Scottish Government, June 2008b). By advancing a preventative approach the Scottish Government has underlined the need for an increased understanding of financial capability. Appendix 1 provides an overview of the broad capabilities concept that to some extent underpins the capability approach of both governments.

This report provides a review of selected current evidence on financial capability as it relates to disadvantage in Scotland. The methods used are set out in Appendix 2. Specifically, the report considers what financial capability is; who is affected by a lack of it; the consequences of a lack of financial capability; steps to improve financial capability; and conclusions and recommendations about what can be done.

2. What is financial capability?

HM Treasury suggest that:

> Financial capability encompasses *"people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market."*
> (HM Treasury January 2007: 19)

In order to be financially capable individuals need to have access to financial information and be able to understand financial services and products. However, the evidence reviewed for this report suggests that individuals also need the motivation to take appropriate action (Dixon, 2006; Mandell and Klein, 2007; de Meza et al., 2008; Oehler and Werner, 2008).

In addition to these 'demand-side' aspects of financial capability there are 'supply-side' issues such as the availability of appropriate financial products and services, for example, basic bank accounts and their regulation (Sinclair et al., 2009). However, while consumers need to have access to suitable financial services most of these are under the jurisdiction of the UK Government. Given this, they are not considered in-depth in this report.

Financial capability can be linked to other practically achievable capabilities; ensuring individuals are more able to achieve what they want and are more resilient to changing circumstances. Hence the authors would argue that financial capability should not be seen in isolation but rather as one of a range of capabilities that influences someone's well-being.

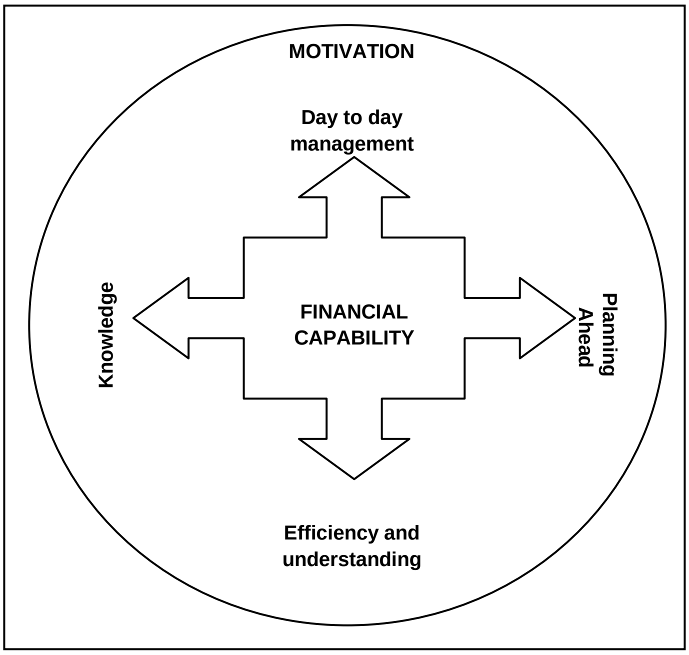
Components of financial capability

There are a number of components of financial capability that highlight its complexity. This complexity is highlighted in, for example, the Treasury definition (see above), the Basic Skills Agency and Financial Services Authority's (FSA) (2006) *Adult Financial Capability Framework*, and the FSA's (2006) *Financial Capability Survey*. The current report suggests that the components which best sum up financial capability (derived from these 3 definitions, see Appendix 3) focus on abilities, understanding, competence, knowledge and motivations. As such the authors conceive a financially capable consumer as being able to deal effectively and confidently with:

- The day to day management of finances
- Planning ahead (for specific issues such as retirement or unexpected events)
- Efficiently selecting financial products and understanding these products
- Knowing where, and how, to seek financial advice
- Having the motivation to efficiently manage finances and effect change.

Figure 1 illustrates how these components can be understood, within the context of an individual having the motivation to efficiently manage finances and effect change.

Figure 1: This Report's Model of Financial Capability



In summary the term financial capability, as used in this report, focuses on the abilities, understanding, competence, knowledge and motivations of particular individuals.

3. Who is affected by a lack of financial capability?

The Financial Services Authority (FSA) conducted the *Financial Capability Survey* in order to establish a baseline measure of financial capability. The study compiled a dataset comprising of 5,328 individuals aged 18 years and over (Financial Services Authority, 2006; Atkinson et al., 2006; Atkinson et al., 2007). This baseline study conceived financial capability as comprising of 4 domains (managing money; planning ahead; choosing products; and staying informed) with each domain measured using 5 separate scores (see Appendix 4 for further details). These scores were used to identify the social and demographic characteristics of those who lack financial capability. The conclusions for each score were:

- **Making ends meet:** Older people score better than those under the age of 40 years. Those with children, who rent their home or who are unemployed all score poorly in this domain.
- **Keeping track of money:** Those who score well are the unemployed and those who do not have a bank account. However, they score poorly in other domains.
- **Planning ahead:** Older people and those with higher levels of education score well.

- **Staying informed:** Those who are least likely to be informed about financial services are those over the age of 70 years. Those on low incomes, single parents and women also do not perform well in this domain.
- **Choosing financial products:** Retired individuals score well, whereas tenants and those in social housing score poorly.

In summary the evidence from the *Financial Capability Survey* indicates that younger people, those on low incomes, those with children and those with poor levels of education, literacy and numeracy are most likely to have low levels of financial capability (Financial Services Authority, 2006; Atkinson et al., 2006; Atkinson et al., 2007). Increased age and experience contributes to greater financial capability scores in most of the domains. However, it should be noted that individuals may score more highly in some domains than in others (Financial Services Authority, 2006; Atkinson et al., 2006; Atkinson, 2007; Sinclair et al., 2009).

The *Thoresen Review* (Thoresen, Annex 7, 2008) of generic financial advice presents pen portraits, created by Experian, of those who would benefit most from generic financial advice. The most financially vulnerable adults (covering about 4% of the population) have the following characteristics:

- Were under 45. Only one in ten of those in this worst off group were beyond retirement age.
- Were likely to be married or living with a partner, and had experienced the life stage change of having children.
- Nearly a quarter resided in city high-rise blocks, whilst the rest lived in urban estates.
- Few are owner occupiers, or if they were their house values were low. Employment levels were below the national average at 70% and those with jobs worked mainly in manual occupations, roles within the service industry and non-skilled cash-in-hand.
- They were the least confident in financial matters and displayed a low inclination or lack of ability to make reasoned financial decisions, although they were the most vulnerable to the effects of poor financial decisions.

Similarly, Atkinson et al. (2007), using the *Financial Capability Survey*, found that the least financially capable were younger, with children who were struggling on low incomes and were disorganized. The next least capable groups were: low-income, younger, single people, using few products, plus the early middle-aged, who used few products and did some planning.

Table 1 summarises the evidence from the *Financial Capability Survey*, the *Thoresen Review* and Atkinson et al. (2007) and shows which groups are most likely to be affected from low levels of financial capability:

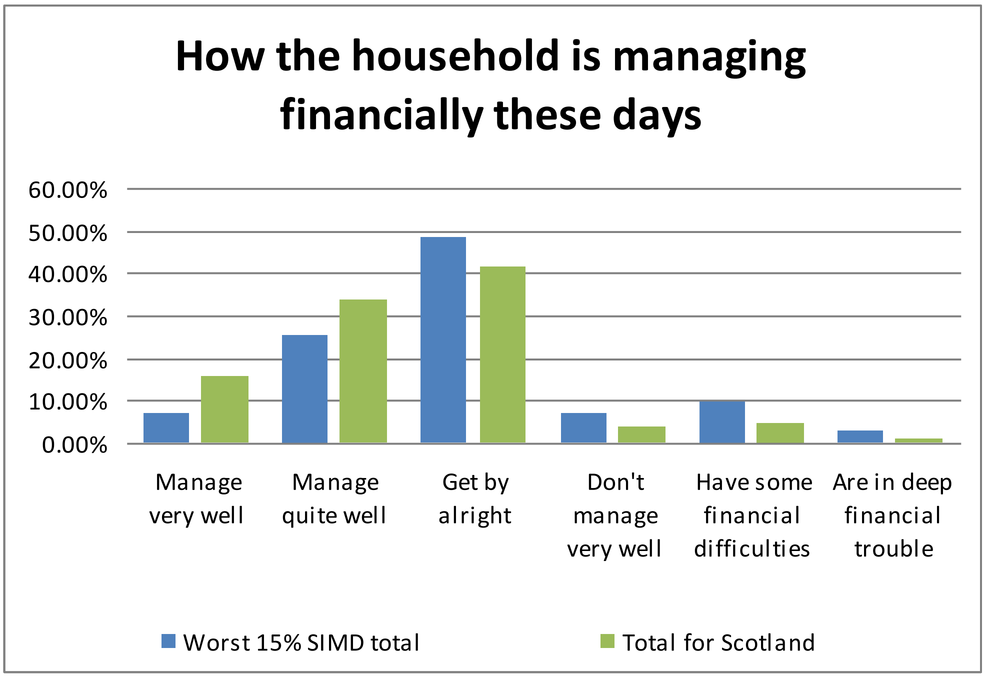
Table 1: Groups Most Likely to Lack Financial Capability

Age	Younger people (under 45 years)
Gender	Women - do not stay informed
Marital status	Married or living with a partner
Employment	Unemployed and those in manual and low skilled employment
Income level	Low income
Housing	Social housing and rented accommodation
Dependents	Recently have had children
Education	Low levels of education, literacy and numeracy

The Scottish Household Survey data

The *Scottish Household Survey* (SHS) provides information about Scottish households and individuals (Scottish Government, 2010). However, few components of financial capability are provided in the reports. The authors conducted an analysis of the SHS 2005/6 data to give a limited ‘feel’ of the distribution of some aspects of financial capability in Scotland. The SHS 2005/6 data (see Appendix 5 for the complete tables) provide people’s answers to the question: ***“How the household is managing financially these days”***. Figure 2 summarises the results for the whole of Scotland and the most deprived 15% of Scottish areas (as measured by the Scottish Index of Multiple Deprivation (SIMD)).

Figure 2: How Scottish Households are Managing Financially (Scottish Household Survey)



As shown in Figure 2, it is evident from the SHS data that: overall, households across Scotland are facing problems in managing their finances, although this is **concentrated more in the most deprived areas**

- Only a third (32.7%) of those living in the most deprived areas 'Manage very well' or 'Manage quite well' financially compared to over half (52.1%) of those in the rest of Scotland
- Meanwhile 48.4% in the most deprived areas 'Get by alright' compared to 40.3% in less deprived areas
- Those households which are doing poorly in financial terms[1] make up 18.9% of those in these most deprived areas and 7.6% elsewhere
- People renting, the unemployed and those seeking work, the permanently sick and those unable to work due to short term ill-health tend to do more poorly, especially in the more deprived areas.

The SHS data also show that the experiences of households, in terms of how they are managing financially, **differ by age, gender, ethnic group, employment and geography,** both in the most deprived areas, but also across Scotland. From the SHS data it is evident that in relation to:

- **Age** - those aged 18-25 and 26-35 years old are generally worse off. However, it is possible that older people are likely to respond to the question of how well they are managing, and to interventions designed to increase financial capability, more positively than younger people due to their differing expectations and experiences

[1] 'Don't manage very well', 'Have some financial difficulties' or 'Are in deep financial trouble'

In the most deprived areas 25.0% of 18-25 year olds and 23.9% of 26-35 year olds are doing poorly in financial terms compared to 5.0% of over 60s
The same figures for the rest of Scotland are much lower with 12.5% and 9.7% respectively for the younger groups and 3.4% for those over 60. So in less deprived areas younger people also do relatively worse (although not as bad as young people in deprived areas).

- **Gender** - there are relatively few differences between males and females.

- **Ethnic groups** - non-white ethnic groups do poorly[2].

- **Employment** - 10% of the population is not coping financially, especially those on low incomes[3], in routine or semi-routine occupations, working part-time, unemployed and the disabled/long-term ill (see Scottish Government analysis of the SHS 2005-09 in Appendix 5, Figure A5.4).

- **Local authority and urban/rural differences** - there are considerable differences between individual local authorities in how well people are coping financially (see Appendix 5, Table A5.2) – see below
  Overall there is little clear difference between urban and rural areas across Scotland as a whole
  However, among the more deprived areas, the urban and accessible rural areas seem to have relatively more households with financial problems.

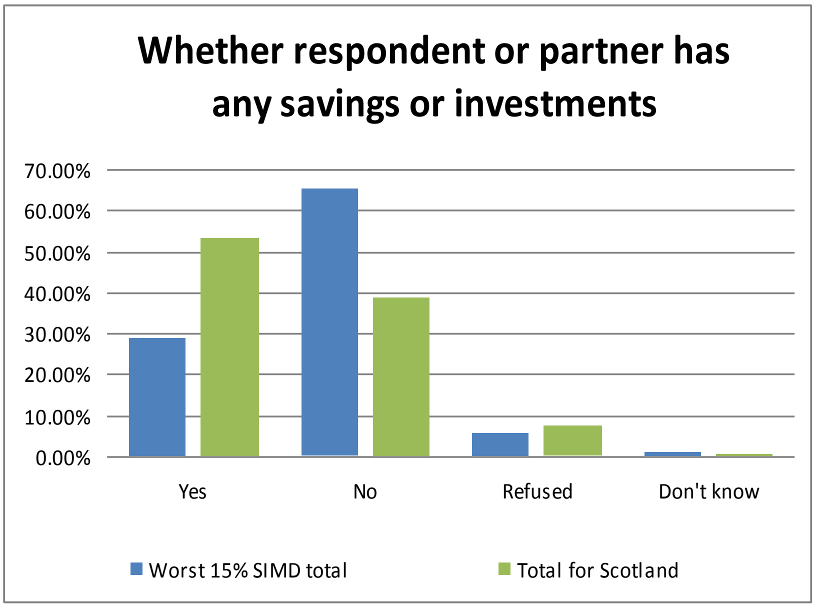
Those local authorities with the greatest share of households that have the most extreme problems and are considered to be 'in deep financial trouble' according to the SHS data are:

- West Dunbartonshire with 3.3% of households 'in deep financial trouble', and 1.8% in Glasgow, 1.4% in East Renfrewshire, and 1.3% in Angus and Dundee City. The Scottish average is 1.0% of households.
- When only the most deprived areas are considered then, the areas with the highest rates of households in 'deep financial trouble' are: East Dunbartonshire (9.1%); East Renfrewshire (7.7%) and Dumfries and Galloway (7.0%), compared to 2.6% across all such areas in Scotland.

The SHS also asks people if ***"they or their partners have any savings or investments"***. Figure 3 summarises this data.

[2] Care should be taken as these results hide large differences between different non-white ethnic groups, but numbers are generally too low to analyse all ethnic groups
[3] Under £10,000

Figure 3: Whether People have any Savings or Investments (Scottish Household Survey)



Based on results from the SHS question *"they or their partners have any savings or investments"* it is evident that in relation to:

- **Households in the most deprived areas** - some 65.2% of those living in the most deprived 15% of areas in Scotland have no savings compared to 34.0% of those in the less deprived areas (see Figure 3).

- **Age** - in the most deprived areas, 69.9% of the 26-35 year olds have no savings compared to 42.1% of those in the rest of Scotland. The figures for 18-25 year olds are 74.9% and 50.1% respectively.
  For those over 60 some, 54.1% of those in the more deprived areas had no savings compared to 34.0% elsewhere in Scotland.
  So younger people, especially those in more deprived areas, are more likely to have no savings.

- **Gender** - in all areas, females were slightly more likely to have no savings.

- **Educational attainment** - those with no or low educational attainment are more likely to have no savings in all of Scotland, as are those, for each educational level, in the more deprived areas.

- **Employment** - the unemployed and those seeking work (86.7% in deprived areas and 77.7% elsewhere); the permanently sick (84.5% and 65.8% respectively) and those looking after home and family (84.2% and 48.9%) often have no savings, especially in the more deprived areas.

- **Urban/rural differences** - overall there are relatively small differences in lack of savings between urban and rural areas, however, the more deprived areas of small remote towns have the highest levels of no savings (72.5%), although the sample sizes for this are relatively small, so care must be taken in interpreting this.

In summary, evidence from the *Financial Capability Survey* (Financial Services Authority, 2006) and the Scottish Household Survey have highlighted that younger people, those on low incomes, those with children and those with poor levels of education, literacy and numeracy needs are most likely to have low levels of financial capability, and for each of these groups those living in the most deprived areas have relatively lower levels of financial capability. Greater age and experience contributes to having greater financial capability.

4. What are the consequences of low levels of financial capability?

The evidence considered so far in this report has highlighted that it is often those with the least resources who lack financial capability – younger people, those on low incomes, the unemployed and those who have recently had children. This section considers evidence that draws attention to the ways in which a lack of financial capability can have profound effects on an individual and their household (Financial Services Authority, 2006; Sinclair et al., 2009), for example by affecting employment opportunities, and the likelihood that individuals are making inappropriate and unsustainable financial decisions. The literature reviewed on those with lower financial capability indicates that:

Individuals may have limited basic budgeting skills and ability to make ends meet:

Lower budgeting skills mean that their financial management may be poor resulting in a greater difficulty in making ends meet.

Individuals may be compromising their employability:

Unemployment has been linked to financial capability; with the unemployed less skilled at basic budgeting and making ends meet than those in employment. Both these factors can contribute to lower employability (Clark and Aynsley, 2008: 4). Those in work can also suffer the consequences of a lack of financial capability as financial stress has been linked to absenteeism from work (Kim and Garman, 2003 Kim et al., 2006). Also their lack of financial skills may influence their ability to compare career options effectively.

Individuals may be getting into unsustainable debt:

Poor money management is widely linked to debt and is an increasing problem in Scotland. A survey of 273 Scottish Citizen Advice Bureau debt clients in 2008 found that levels of debt have increased by 50% since 2003 (Gillespie et al., 2009). The effects of this are widespread, with some individuals cutting back on essentials in order to meet their repayments (Gillespie et al., 2009). Additionally an *Offender Assessment System Study* found that 29% of offenders had problems with managing money and dealing with debts and that 9% felt that this was linked to their offending (Home Office, 2007: 3).

Individuals may not be making non retirement savings or planning for retirement:

The literature suggests that non retirement saving is not a priority for low income groups: they may save in 'alternative' ways and their saving may be sporadic (Kempson and Finney, 2009). For example, lower income groups may save for a specific purpose and then use all of the money (Kempson et al., 2000). Khan suggests that owning assets can increase an individual's willingness to engage with financial services (Khan, 2010). Financial needs in retirement also may not be acknowledged as those on low incomes, together with younger people, may not think that pension planning is important (Clark et al., 2009).

Individuals may be experiencing highs levels of stress and anxiety:

Financial pressures can increase stress and anxiety levels, especially if individuals have a large volume of debt and are bound by inappropriate repayment structures. There is a strong link between financial capability and mental well-being. For example, those with lower financial capability are more likely to report greater levels of stress (Lenton and Mosely, 2008; Taylor et al., 2009). Using evidence from the *British Household Panel Survey* (BHPS) it was found that an individual whose financial capability improves by changing from low to average levels of financial capability reduces their probability of suffering from anxiety and depression by 15% (Taylor et al., 2009: 5).

Individuals may be paying more for goods and services than they need to and may be taking risks, such as entering into a financial arrangement they cannot maintain if there is reduction in their financial position (for example due to sickness):

Social landlords are often aware of the effects of financial exclusion and a lack of financial capability, such as persistent rent arrears (Randall et al., 2006). Those who live in social housing are often on low incomes and may be refused access to mainstream credit. Individuals may therefore turn to doorstep lending or even loan sharks. In 2007 the National Housing Federation found that 81% of those in social housing had no savings account; and 70% of those who borrowed at 164% APR lived in social housing (see National Housing Federation and Toynbee Hall, 2008: 67). Tenants may have to default on their rent in order to repay these loans, and Atkinson (2005) highlights that some young people may grow up not questioning the high rates of interest charged by doorstep money lenders and loans sharks.

Individuals may not be able to cope with unexpected changes in their circumstances, resulting from bereavement, having a child unexpectedly or redundancy, for example:

Although older people score comparatively well in the *Financial Capability Survey* (Financial Services Authority, 2006*),* their needs should not be overlooked. Evidence from Age Concern (2007) confirms that older people often cope well until they experience a crisis such as bereavement or need to finance long term care

Individuals (particularly older people) may be vulnerable to financial abuse from others:

A lack of financial capability can also increase older people's risk of being victims of financial abuse. Crosby et al., (2007: 4).suggest that:

> *"Financial exclusion, low levels of financial capability, and cognitive impairment can mean that older people become dependent upon others to manage their finances or to access their income or savings...While in the majority of cases family, friends and professionals are trustworthy...the vulnerability of some older people, or their reliance on others for assistance, can easily be abused"*

Wider social networks such as friends and family, as well as the local economy may be affected by a lack of financial capability:

A lack of financial capability not only influences the individual but affects, and is affected by, their wider family and social networks. Analysis of the *Family Resource Survey* (1997-1998) and the monthly *Office of National Statistics Omnibus Survey* identified that a person's social networks influenced their use of financial services. It found that all, or some members of the social network of persons who did not have a bank, building society or post office account, also did not use these services (Meadows et al., 2004). Families, friends and neighbours are often an important source of information about financial decisions (Kempson et al., 2000).

Individuals may not be aware that they can boost their income. For example, older people may not know of their benefits entitlements with billions of pounds being under claimed each year (Bateman, 2008: 8). This can have a great effect not only on the individual but also on the local economy as older people are likely to spend this extra money there (Bourn, 2002).

In summary this section has highlighted that poor financial capability of individuals has an impact on the individuals and their households, but also on the demand for local services, for example debt advice, housing, mental health and employment support. There are also costs for financial institutions and service providers, such as social landlords, relating to bad debt, and inappropriate and unsustainable financial decisions.

5. Steps to improve financial capability

The previous sections highlighted that a lack of financial capability affects a range of individuals from diverse social, cultural and economic backgrounds; and can have profound impacts in all areas of life over the short and long term. This section considers strategies used in Scotland and the UK to improve financial capability. It should be noted that financial education is only one way of improving financial capability, and that financial capability is a broader concept including for example individual motivations (Atkinson et al., 2007). This section, alongside Appendix 6, provides evidence of the different ways in which financial capability has/can be improved[4]. The examples suggest the need for a multi-faceted and life course approaches to improving financial capability.

In Scotland financial education is being delivered in schools:

Attitudes towards money are formed at an early age and the Scottish Government has been concerned with embedding financial education in the primary and secondary school curriculum. Initiatives and resources have been produced to enable this. For example, the proposal for *Money Weeks* where primary schools engage in week long activities on the theme of money (Scottish Centre for Financial Education, 2007a). The teacher's resource *Talk Money, Talk Solutions* outlines a series of activities that can be conducted with primary school students to develop their financial capability (Scottish Centre for Financial Education, 2007b). Adult migrant workers have also received training through ESOL (English for speakers of other languages) courses (Scottish Government, 2008c). However, an evaluation of current financial education in Scottish primary and secondary schools found that financial education is delivered inconsistently throughout Scotland and that some teachers need more support in its delivery (Granville et al., 2009). According to Granville et al., (2009), financial education strategies which have engaged outside partners have been especially successful.

Financial education also needs to be delivered at different stages of the life-course in order to meet changing needs:

HM Treasury and the Financial Services Authority (2008) target initiatives at individuals at key financial points of the life-course. Financial education is not only targeted through schools but also through the workplace and community settings to ensure the specific needs of different parts of the population are met. Financial literacy training has also been delivered in prison settings (see Jones, 2006). This tailoring of training programmes will help motivate individuals to take part (Social and Enterprise Development Innovations, 2004: 23; McCormick et al., 2005).

Financial education can be delivered through joint working with health care providers:

A range of sectors and agencies have been involved in delivering financial education in a variety of settings across the life course. For example, in some cases health care professionals can be involved in the monitoring and identification of a lack of financial capability amongst their patients. As Fitch et al., (2009) note, one in four people in Britain with mental health problems are in debt, and therefore mental health professionals could help by identifying problem debt in those they treat: community health teams would therefore be central in guiding patients and their debt advisors. Financial advice can also be delivered directly in health care settings, for

[4] A note of caution needs to be made about learning from, and comparing, financial education strategies. It can be hard to make any concrete conclusions about the effectiveness of financial education strategies because of the limitations of the measures used in the evaluations. There is also a lack of evidence concerning which groups are likely to respond most beneficially to financial education strategies (see: Atkinson, 2008).

example through GP surgeries. This combined approach has been linked to increased patient health and well-being (Bateman, 2008: 8).

Financial education has also been successfully delivered through joint working with social landlords:

Social landlords are often aware of the effects of financial exclusion and a lack of financial capability, such as persistent rent arrears (Randall et al., 2006). There is great potential for social landlords to help increase the financial capability of their tenants. North Devon Housing Association, for example, sought to address this problem by making links with credit unions and advice agencies, and trying to change tenants' attitudes towards rent arrears. Between January 2005 and March 2006 they reduced the rent arrears from 5.2 % to 1.9 % (Randall et al., 2006: 10). According to Terry et al. (2006), housing associations could also provide financial training to help their residents. Guides have already been developed in order to assist frontline staff in the housing sector to deliver financial capability training (see National Housing Federation and Toynbee Hall, 2008). It has also been recommended that housing associations can invest in third sector agencies who work with their residents (Alexander, 2007: 5).

In order to be effective, change in individual behaviour financial education needs to address an individual's motivations:

US research has shown that levels of financial literacy are linked to motivation (Mandell and Klein, 2007). Mandell and Klein (2007) suggest that the role of individual knowledge and skills should not be overplayed. Motivation and attitudes towards banking, for example, have significant impact. An individual may possess skills but they may not necessarily use them in practice. Therefore, economic psychology, behavioural economics and behaviour change theory have been drawn upon in the delivery of financial education in order that financial education strategies aim to change behaviour rather than merely imparting information (Dixon, 2006; Mandell and Klein, 2007; de Meza et al., 2008; Oehler and Werner, 2008).

In summary this section has identified some lessons that can be learned from financial capability and education strategies already in place in Scotland and the UK. These strategies highlight that support should be delivered via a range of accessible media and by a range of organisations throughout people's life-course. It is important to motivate individuals to make changes in their lives. The evidence presented here informs the recommendations made by the authors in the following concluding section.

6. Conclusions and Recommendations: Improving financial capability?

Financially capable consumers can manage their finances day to day; plan ahead, efficiently select financial products and understand these products; know where, and how, to seek financial advice; and have the motivation to efficiently manage finances and effect change. However, the key finding of this evidence review is that a large part of the population lack elements of this financial capability. It is the most deprived and vulnerable members of society (such as those living in disadvantaged communities and younger adults) who are most at risk. The current high levels of unemployment and individual indebtedness mean that the need for improved financial capabilities is likely to grow across Scotland. Those who lack financial capability are likely to experience a variety of associated problems such as poor health, lower employment levels and an increased level of debt. There may also be negative consequences for local and national economies. Improving an individual's financial capability can enable them to participate more fully in society and help reduce poverty.

In summary, the range of evidence reviewed suggests that a lack of financial capability is common across Scotland, but particularly affects certain groups such as those on low incomes, young adults, those having had a life stage change such as having a child, and those in disadvantaged areas.

Recommendations

From examining the evidence presented in this report the authors make a series of recommendations to the Scottish Government concerning strategies aimed at increasing the financial capability of the population.

The main recommendation is that the issue of financial capability, and its various components, is an important area for the government and other relevant authorities and institutions. Those disadvantaged groups with low financial capability, and who are likely to suffer significant negative consequences when things go wrong, need particular support. This support should, where appropriate, be linked to other forms of support throughout the life-course, rather than treated in isolation.

In addition, a number of recommendations about the development of initiatives are suggested:

1. Individual's financial capability changes over time and as such there is a need for financial education across the life-course, in particular at turning points such as the move to independent living or becoming a parent.

2. Training packages should be tailored to the individual/group of learners. This would ensure that financial education is relevant to people's current situation and needs (see Collard et al., 2001; Taylor, 2009).

3. If financial education strategies are to be successful, then individual behaviour and attitudes need to be considered. Financial capability is important for providing people with both the ability to identify their realistic choices, but also for motivating them to take action to carry out their preferred choices. Various ways may be used to help achieve this, such as interactive and experience based techniques and peer support.

4. Strategies to combat financial capability may have to address attitudes and practices in individuals' peer groups and social networks.

5. Information needs to be accessible and delivered in a range of formats by a variety of individuals and agencies[5]. Individuals also need to be made aware that this information is available.

6. There are benefits in engaging with the local community in settings where people are comfortable and making links with other organisations.

7. Staff delivering financial capability training need to be skilled and financially confident.

8. Future strategies need to be properly evaluated so that their success can be measured and better understood in the future (see for example: Atkinson, 2008).

[5] The *Thoresen Review* of generic financial advice also makes this recommendation by advocating a multi-channel and preventative approach in the delivery of financial advice (Thoresen, 2008).

Appendices

Appendix 1 – The Capability Concept

This short Appendix outlines some of the broad background to the wider capability approach (developed by Amartya Sen, 1985, 1998), within which financial capability can be seen to fit, and why it is becoming more commonly used in anti-poverty strategies. Sen argued that someone may lack financial resources, and/or the knowledge to use these, and/or have appropriate financial services available, and/or the ability or motivation to act – *any* of these may result in a lack of financial capability or the ability to make appropriate financial choices[6]. Improving financial capability should enable people to participate more fully in society and to reduce poverty.

Someone's financial capability and their ability to cope with changing financial circumstances and challenges is likely to be affected by their assets – such as their social networks of friends and family (e.g. which may give advice or financial support); their financial assets (e.g. a well paid job or inheriting money); their human capital assets (such as a high level of education that may help them to have financial understanding and decision making) etc. Hence financial capability can be linked to other practically achievable capabilities, to help make someone more able to achieve what they want and to make them more resilient to changing circumstances (e.g. to have some control over one's environment, such as, holding property or having equal ability to seek employment). Martha Nussbaum (2000) sets out ten capabilities, but these are more an 'ideal' world where people would have all these capabilities.

The capability approach is concerned with the ability to achieve a combination of functions that someone values, and not just a single capability (Sen, 2009: 232). He argues that *"the capability approach points to an informational focus in judging and comparing overall individual advantages … and does not, on its own, propose any specific formula about how that information may be used"* (p. 232). Hence, it does not give any specific formula for policy decisions and national or local policies need to judge the importance of capabilities in conjunction with other factors.

Sen (2009: 295-8) suggests that other factors need to be considered in addition to equality in capabilities. Specifically, he argues that we should not seek equality of capability as capabilities are characteristics of individual advantages and do not adequately focus on fairness or equity of processes (for example, concerning the capability of long life, women live longer than men but it would be unfair to give women less medical attention for the same health condition); there are other demands on judgments about the distribution of resources etc.; if capabilities between people are ranked, this does not give a complete ranking in terms of equality; and improving the capabilities of all needs to be considered as well as reducing inequalities of capabilities.

[6] So someone's capability goes beyond their access to resources (like income, savings or other assets) and utility (e.g. their satisfaction with something they have or happiness).

Appendix 2 – Research methods

The key tasks which the evidence review had to achieve, within the limited resources available, were to:

- Provide an overview of financial capability evidence which takes into account the current policy context in central and local government, the recession, economic and service level context and highlights key issues such as recent experiences of debt and possible differences in financial capability across population sub groups
- Highlight any evidence which demonstrates the benefits of increased financial capability for individuals, families and the wider economy as well as in relation to services, employability, pensions, savings and so on
- Present any examples which demonstrate savings incurred as a result of improved financial capability
- Draw attention to any research on different approaches to delivering financial capability, highlight which methods appear to be more successful and indicate why, in principle, this was the case
- Produce an annotated bibliography which briefly summarises key aspects of the literature reviewed

The evidence review was conducted in January 2010, and included papers and reports that were relevant to the Scottish context and included policy, evaluation and academic work:

- Literature searches using search engines (such as Google and Google Scholar) and journal databases (such as ScienceDirect and Informa World) using key terms such as financial capability, financial literacy, financial education, financial planning and financial exclusion.
- Literature already known to the authors and those who commissioned the work was reviewed
- The websites and reports produced by organisations known to the authors as being concerned with financial capability were reviewed.
- The relevant references from the literature identified were reviewed

Evidence from the Scottish Government's Scottish Household survey was also examined. This provides accurate, up-to-date information about the characteristics, attitudes and behaviour of Scottish households and individuals (Scottish Government, 2010). It is based upon approximately 3,900 household interviews each quarter, collecting housing, financial, neighbourhood and other information from households and individuals.

Appendix 3 – Components of financial capability

HM Treasury provides the following definition of financial capability:

> Financial capability encompasses *"people's knowledge and skills to understand their own financial circumstances, along with the motivation to take action. Financially capable consumers plan ahead, find and use information, know when to seek advice and can understand and act on this advice, leading to greater participation in the financial services market."*
> (HM Treasury 2007: 19)

In order to be financially capable individuals need to have access to financial information and be able to understand financial services and products. They also need the motivation to take appropriate action.

The *Adult Financial Capability Framework* produced by the Basic Skills Agency (BSA) and Financial Services Authority (FSA) (Basic Skills Agency and Financial Services Authority, 2006: 4), outlines how financial capability is made up of three interlinked components (although no specific definition is given). This understanding guides the scope of the capability framework and includes aspects of the Treasury definition outlined above. The *Adult Financial Capability Framework* argues that financial capability comprises of:

- **Financial knowledge and understanding,** which enables individuals to manage their money and acquire the skills necessary to meet their needs.
- **Financial skills and competence,** which allow individuals to apply this knowledge to their particular context. Individuals can also monitor and deal with crises or opportunities.
- **Financial responsibility,** which is the ability to appreciate the broader implications of financial decisions. Individuals acknowledge the need for certain skills in order to manage their finances effectively.

However, these components can be expanded upon. The *Financial Capability Survey* proposes that financial capability comprises of 4 domains - **managing money, planning ahead, choosing products and staying informed** (Financial Services Authority, 2006; Atkinson et al., 2006, 2007).

This report argues that two other components, identified from other evidence reviewed, are important in shaping these 4 domains:

- The **supply-side** of financial capability addresses the need for the financial macro-structures to be in place to enable increased financial capability. This might include stricter regulation to protect consumers or simpler and more accessible bank accounts (Sinclair et al., 2009). The **demand-side** of financial capability focuses on the individual consumer and the ways in which they can improve their skills and motivation.

- As outlined by the Treasury definition, individuals need to have the **motivation** to improve their knowledge, skills and understanding; and also then act to change their circumstances.

These components build on the Treasury definitions of financial capability. This draws attention to the complexity of financial capability. The components which this report suggests best sum up financial capability focus on abilities, understanding, competence, knowledge and motivations for:

- The day to day management of finances.
- Planning ahead (for specific issues such as retirement or unexpected events).
- Efficiently selecting financial products and understanding these products.
- Knowing where, and how, to seek financial advice.
- Having the motivation to efficiently manage finances and effect change.

A number of varying terms have been used in different countries and settings to describe the components of financial capability. Terms such as financial literacy, financial education and economic literacy have been used in the policy and academic literature in North America and the UK, for example. In North America the term financial literacy (an individual's financial abilities) and economic literacy (awareness of wider macro-economic conditions) are most commonly used (Social and Enterprise Development Innovations, 2004: 5). In the UK, however, the term financial capability has commonly been utilised. This term is broader than those used in North America as it can be applied to individuals and households living in various social and economic conditions.

In summary, according to this report the term financial capability focuses on the abilities, understanding, competence, knowledge and motivations of an individual.

Appendix 4 – Measures of financial capability

There are several researchers who have sought to measure a range of capabilities and to apply the capability approach to developed countries (see Chiappero-Martinetti, 2008; Anand et al., 2008, 2009), although few relate directly to financial capability. The Equality and Human Rights Commission (2009, Appendix 3), among others, have sought to develop frameworks for considering equality, taking into account the capability approach, although little is discussed specifically in terms of financial capability. From this EHRC report some capability measures may be relevant to financial capability, including:

- The capability to enjoy a comfortable standard of living, with independence and security including, for example, being able to:
    - have control over personal spending
- The capability of knowing you will be protected and treated fairly by the law including, for example, being able to:
    - own property and financial products including insurance, social security and pensions in your own right
- For children, capabilities may include having some financial independence (pocket money).

A range of other measures have been used to gauge consumers' financial capability. Many of these measures have failed as they have not been robust or objective enough to study the population as a whole. The Personal Finance Research Centre (July 2005: 8-10) provides examples of the previous quantitative and qualitative studies. The *Better Informed Consumers* evaluation, undertaken by the FSA in 2000, looked at information seeking behaviour in consumers who were purchasing financial products. The survey was complimented by a qualitative study which highlighted the inconsistencies between the consumer attitudes and consumer behaviour. Other efforts to measure financial capability have relied on individual assessments, of capability and competence or have looked at the consumption of financial products. The weakness of these approaches is that consumers may be over-confident when reporting their skills and abilities (Atkinson et al., 2007: 30). There has been difficulty in developing a measure of financial capability that is objective and which provides the detail uncovered by qualitative studies, although banks and their credit agencies used sophisticated credit scoring systems determining whom they might normally give credit to (based around lifestyle factors such as how long you have been at your current address; length of employment; marriage status; purpose of the loan etc.).

The *FSA Financial Capability Survey* has been central in developing current knowledge of financial capability in the UK population (Financial Services Authority, 2006). A quantitative questionnaire was conducted with 5,328 individuals aged 18 years and over. The data has been used to identify groups with similar financial capability scores and identify the effects of low financial capability. In order to establish the baseline of financial capability, development work was undertaken through literature reviews, focus groups and interviews to identify the components of financial capability. It was established that financial capability can be thought of as encompassing four interlinked domains:

- Managing money
- Planning ahead
- Choosing products
- Staying informed

These four domains/components highlight the potential for individuals to have different distributions of skills. In order to measure these domains factor analysis was used to create 5 separate scores across these domains. These 5 scores are:

- Making ends meet
- Keeping track
- Planning ahead
- Staying informed
- Choosing products

Questions about applied financial literacy were also addressed in a ‘Money Quiz’ which tested mathematical abilities and knowledge of financial products (Financial Services Authority, 2006; Atkinson et al., March 2006; Atkinson et al., 2007).

The first 16 waves (1991-2006) of the *British Household Panel Survey* (BHPS) have also been used to measure financial capability and establish its links to life events. Data concerning financial variables were used to create an index of financial capability. These variables included the respondent’s current financial situation; whether respondent saves; the amount saved; problems with household repayment; and the consumer durables available to the household. By using this method it can be established that financial capability can be measured through observable characteristics of an individual (see Taylor, 2009). These findings are similar to the way in which the FSA *Financial Capability Survey* has identified groups with similar financial capability scores.

Appendix 5 – Scottish Household Survey results

A5.1. How the household is managing financially these days

Total is for those over 16 years

	Manage very well	Manage quite well	Get by alright	Don't manage very well	Have some financial difficulties	Are in deep financial trouble	Number
Worst 15% SIMD total	**7.10%**	**25.60%**	**48.40%**	**6.80%**	**9.50%**	**2.60%**	**4,338**
Rest of Scotland	**17.13%**	**35.04%**	**40.26%**	**3.28%**	**3.63%**	**0.66%**	**23,694**
Total for Scotland	**15.60%**	**33.60%**	**41.50%**	**3.80%**	**4.50%**	**1.00%**	**28,038**
Age							
Worst 15% SIMD Age 18-25	6.05%	22.09%	46.90%	7.91%	13.89%	3.15%	518
Rest of Scotland age 18-25	10.76%	31.78%	44.95%	5.13%	6.51%	0.87%	2,118
Total for Scotland age 18-25	9.84%	29.92%	45.31%	5.67%	7.95%	1.32%	2,623
Worst 15% SIMD Age 26-35	7.08%	21.98%	47.04%	8.53%	11.82%	3.55%	710
Rest of Scotland age 26-35	12.96%	34.57%	42.80%	3.77%	4.67%	1.23%	3,252
Total for Scotland age 26-35	11.91%	33.32%	43.56%	4.62%	5.95%	1.64%	3,962
Worst 15% SIMD Age 36-50	5.72%	23.68%	46.14%	7.89%	12.84%	3.73%	1,153
Rest of Scotland age 36-50	16.88%	35.32%	38.36%	3.65%	4.88%	0.91%	6,705
Total for Scotland age 36-50	15.24%	33.60%	39.50%	4.29%	6.04%	1.34%	7,861
Worst 15% SIMD Age 51-60	8.65%	25.19%	45.52%	7.74%	10.32%	2.58%	659
Rest of Scotland age 51-60	22.43%	35.24%	35.44%	3.08%	3.37%	0.44%	4,120
Total for Scotland age 51-60	20.51%	33.87%	36.82%	3.74%	4.33%	0.73%	4,783
Worst 15% SIMD Age 61 plus	8.08%	32.74%	54.21%	3.03%	1.77%	0.17%	1,188
Rest of Scotland age 61 plus	18.40%	35.98%	42.23%	2.32%	1.00%	0.06%	6,884
Total for Scotland age 61 plus	16.88%	35.50%	43.98%	2.43%	1.13%	0.09%	8,074
Gender							
Worst 15% SIMD Male	6.66%	26.07%	48.68%	6.66%	8.97%	2.97%	1,818
Rest of Scotland Male	17.84%	35.06%	39.76%	3.35%	3.34%	0.64%	10,676
Total for Scotland Male	16.22%	33.76%	41.04%	3.84%	4.16%	0.98%	12,499
Worst 15% SIMD Female	7.38%	25.24%	48.17%	6.94%	9.96%	2.30%	2,520
Rest of Scotland Female	16.55%	35.03%	40.67%	3.21%	3.86%	0.67%	13,018
Total for Scotland Female	15.06%	33.43%	41.91%	3.82%	4.85%	0.93%	15,539
Ethnic							
Worst 15% SIMD White	7.10%	25.73%	48.66%	6.48%	9.47%	2.56%	4,213
Rest of Scotland White	17.21%	35.11%	40.19%	3.26%	3.57%	0.66%	23,258
Total for Scotland White	15.65%	33.68%	41.49%	3.76%	4.47%	0.95%	27,477
Worst 15% SIMD Non-White	6.61%	21.49%	40.50%	16.53%	12.40%	2.48%	121
Rest of Scotland Non-White	13.32%	31.54%	44.63%	3.74%	6.31%	0.47%	428
Total for Scotland Non-White	11.80%	29.40%	43.74%	6.53%	7.62%	0.91%	551
Tenure							
Worst 15% SIMD Owned	11.80%	35.22%	45.05%	2.56%	4.59%	0.77%	1,678
Rest of Scotland Owned	20.61%	38.72%	35.85%	2.19%	2.33%	0.29%	17,861
Total for Scotland Owned	19.85%	38.43%	36.64%	2.23%	2.52%	0.33%	19,541
Worst 15% SIMD Non-Rented	4.15%	19.73%	50.59%	9.12%	12.73%	3.68%	2,554
Rest of Scotland Rented	5.92%	23.41%	54.20%	6.79%	7.85%	1.82%	5,437
Total for Scotland Rented	5.34%	22.24%	53.06%	7.53%	9.41%	2.42%	7,991
Worst 15% SIMD Non-Other	3.77%	14.15%	48.11%	17.92%	12.26%	3.77%	106
Rest of Scotland Other	14.11%	28.72%	47.86%	3.78%	4.03%	1.51%	397
Total for Scotland Other	11.90%	25.60%	48.02%	6.94%	5.56%	1.98%	504

A5.2. How the household is managing financially these days by local authority

For over 16 years old.

	Manage very well	Manage quite well	Get by alright	Don't manage very well	Have some financial difficulties	Are in deep financial trouble	Number
Aberdeen City	19.0%	36.4%	37.2%	3.7%	2.9%	0.7%	1257
Aberdeenshire	20.3%	36.8%	38.1%	3.0%	1.7%	0.2%	1184
Angus	19.3%	34.4%	38.7%	3.1%	3.1%	1.3%	607
Argyll and Bute	17.9%	33.2%	38.8%	3.3%	6.2%	0.6%	515
Scottish Borders	13.8%	37.2%	40.3%	4.1%	3.7%	0.8%	615
Clackmannanshire	18.5%	37.4%	35.5%	3.4%	4.5%	0.8%	265
Dumfries and Galloway	13.7%	34.1%	44.0%	3.9%	3.3%	0.9%	815
Dundee City	11.0%	41.4%	38.4%	5.6%	2.2%	1.3%	852
East Ayrshire	15.3%	27.0%	48.2%	3.1%	5.6%	0.8%	641
East Dunbartonshire	21.6%	36.1%	34.8%	2.7%	3.6%	1.1%	523
East Lothian	13.2%	39.8%	41.9%	3.5%	1.4%	0.2%	485
East Renfrewshire	23.9%	30.7%	39.1%	1.8%	3.2%	1.4%	440
Edinburgh City	16.3%	33.5%	41.1%	4.5%	4.1%	0.7%	2609
Falkirk	9.6%	33.3%	47.0%	4.6%	4.4%	1.1%	804
Fife	17.4%	34.7%	37.6%	4.3%	5.2%	0.9%	1919
Glasgow City	10.6%	28.0%	46.7%	4.8%	8.1%	1.8%	3456
Highland	19.9%	34.3%	35.8%	4.6%	4.8%	0.7%	1183
Inverclyde	11.8%	36.8%	39.2%	5.4%	5.6%	1.3%	467
Midlothian	17.8%	30.9%	43.6%	3.4%	3.4%	1.0%	411
Moray	18.6%	33.5%	41.7%	3.5%	2.6%	0.2%	463
North Ayrshire	12.1%	28.2%	49.3%	3.9%	5.6%	0.9%	752
North Lanarkshire	13.1%	32.7%	44.3%	4.0%	4.7%	1.2%	1674
Orkney	20.2%	38.5%	36.7%	2.8%	1.8%	0.0%	109
Perth and Kinross	18.7%	38.5%	39.6%	1.4%	1.4%	0.4%	76
Renfrewshire	13.8%	34.6%	42.4%	2.6%	5.5%	1.0%	956
Shetland	24.6%	35.6%	33.1%	2.5%	3.4%	0.8%	118
South Ayrshire	21.0%	28.8%	42.3%	3.3%	3.6%	1.1%	615
South Lanarkshire	16.7%	32.5%	42.4%	2.8%	5.0%	0.6%	1586
Stirling	20.8%	37.5%	34.9%	3.5%	3.1%	0.2%	453
West Dunbartonshire	12.6%	29.0%	44.3%	4.4%	6.4%	3.3%	517
West Lothian	12.0%	37.5%	43.0%	3.1%	4.0%	0.4%	834
Western Isles/Eilean Siar	13.2%	43.7%	35.8%	2.0%	4.6%	0.7%	151
Total	15.6%	33.6%	41.5%	3.8%	4.5%	1.0%	28037

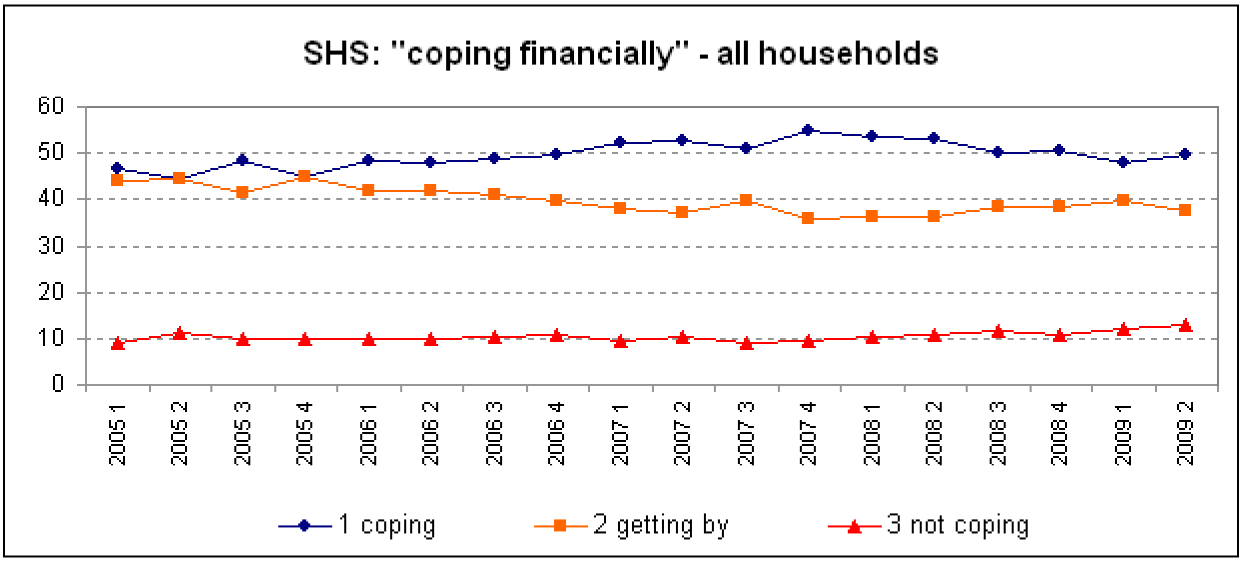
A5.3. Whether respondent or partner has any savings or investments

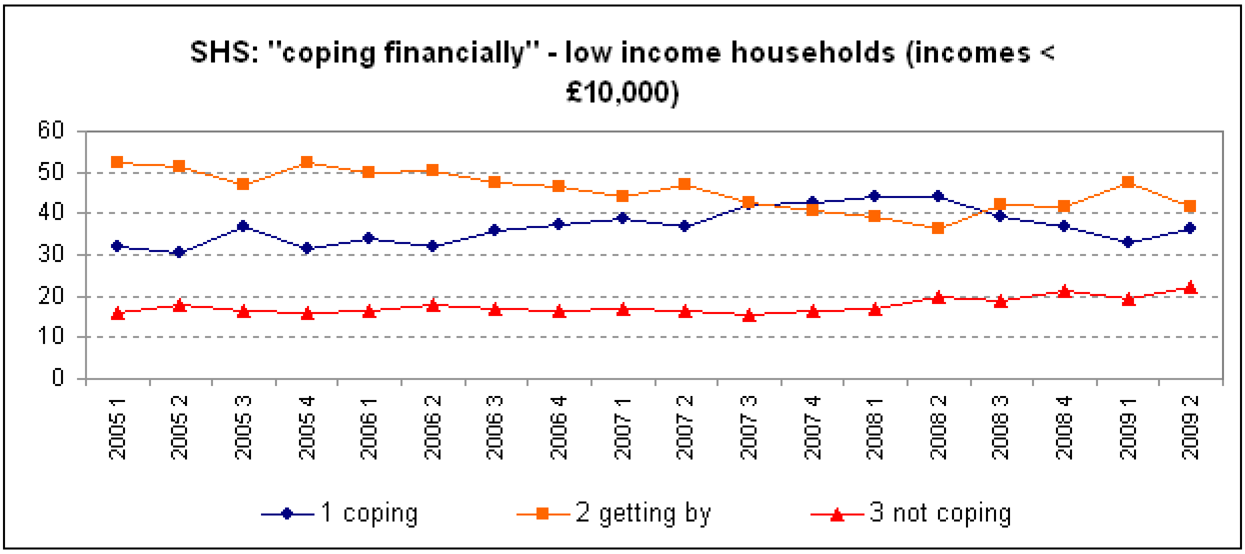
Total is for over 16 years

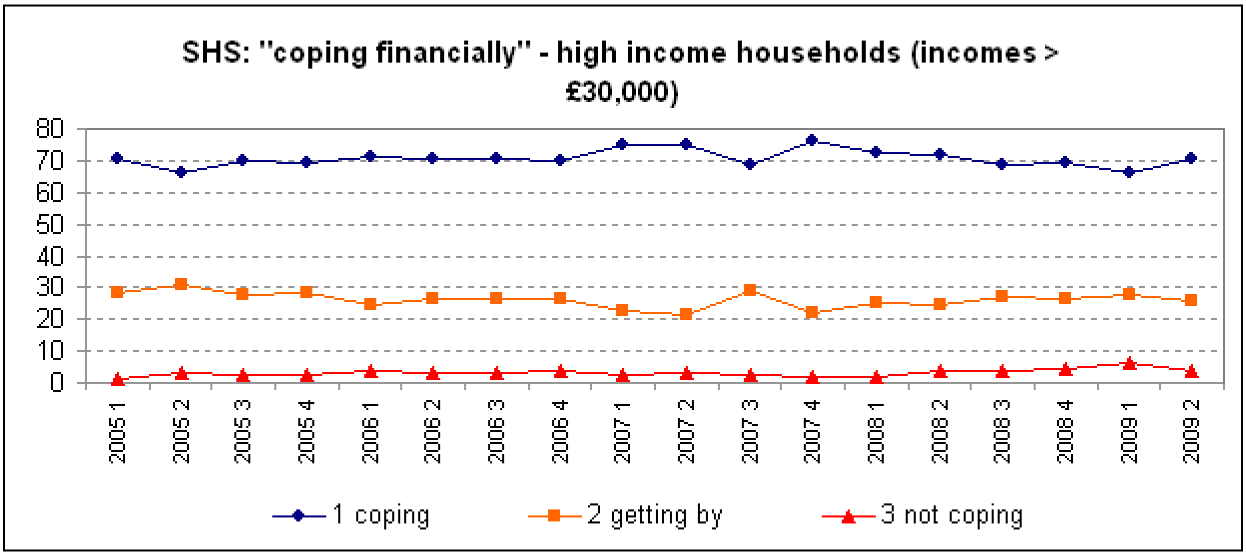
	Yes	No	Refused	Don't know	Number
Worst 15% SIMD total	**28.70%**	**65.20%**	**5.40%**	**0.70%**	**4,370**
Rest of Scotland	**57.58%**	**34.02%**	**7.77%**	**0.63%**	**23,886**
Total for Scotland	**53.11%**	**38.85%**	**7.40%**	**0.64%**	**28,262**
Age					
Worst 15% SIMD Age 18-25	21.85%	74.93%	2.84%	0.38%	518
Rest of Scotland age 18-25	43.97%	50.13%	5.31%	0.59%	2118
Total for Scotland age 18-25	39.66%	54.97%	4.82%	0.54%	2,637
Worst 15% SIMD Age 26-35	26.80%	69.88%	2.85%	0.48%	710
Rest of Scotland age 26-35	53.28%	42.13%	4.03%	0.56%	3,262
Total for Scotland age 26-35	48.54%	47.09%	3.82%	0.54%	3,972
Worst 15% SIMD Age 36-50	25.35%	70.85%	3.46%	0.35%	1,156
Rest of Scotland age 36-50	58.07%	34.92%	6.65%	0.35%	6,766
Total for Scotland age 36-50	53.30%	40.16%	6.18%	0.35%	7,923
Worst 15% SIMD Age 51-60	32.28%	60.63%	6.03%	1.06%	663
Rest of Scotland age 51-60	63.26%	27.58%	8.48%	0.67%	4,162
Total for Scotland age 51-60	59.02%	32.12%	8.14%	0.72%	4,829
Worst 15% SIMD Age 61 plus	35.16%	54.15%	9.54%	1.16%	1,206
Rest of Scotland age 61 plus	57.57%	34.02%	7.77%	0.63%	23,887
Total for Scotland age 61 plus	56.19%	31.88%	10.94%	0.99%	8,164
Gender					
Worst 15% SIMD Male	30.68%	63.16%	5.46%	0.71%	1,832
Rest of Scotland Male	59.55%	32.54%	7.34%	0.58%	10,751
Total for Scotland Male	55.35%	36.99%	7.06%	0.60%	12,588
Worst 15% SIMD Female	27.30%	66.71%	5.32%	0.67%	2,538
Rest of Scotland Female	55.96%	35.24%	8.12%	0.68%	13,136
Total for Scotland Female	51.32%	40.34%	7.67%	0.68%	15,675
Ethnic					
Worst 15% SIMD White	28.95%	64.95%	5.39%	0.71%	4,245
Rest of Scotland White	57.86%	33.92%	7.62%	0.60%	23,442
Total for Scotland White	53.43%	38.68%	7.28%	0.61%	27,694
Worst 15% SIMD Non-White	21.31%	73.77%	4.92%	0.00%	122
Rest of Scotland Non-White	42.92%	39.50%	15.07%	2.51%	438
Total for Scotland Non-White	38.10%	47.05%	12.88%	1.97%	559
Tenure					
Worst 15% SIMD Owned	45.21%	46.93%	7.09%	0.77%	1,692
Rest of Scotland Owned	66.29%	25.17%	7.93%	0.61%	17,999
Total for Scotland Owned	64.48%	27.04%	7.86%	0.62%	19,696
Worst 15% SIMD Non-Rented	18.17%	76.96%	4.28%	0.58%	2,570
Rest of Scotland Rented	29.58%	62.63%	7.11%	0.67%	5,483
Total for Scotland Rented	25.93%	67.21%	6.21%	0.65%	8,055
Worst 15% SIMD Non-Other	20.56%	72.90%	4.67%	1.87%	107
Rest of Scotland Other	49.14%	40.00%	9.63%	1.23%	405
Total for Scotland Other	43.44%	46.97%	8.41%	1.17%	511

Source: SHS 2005/6 data (Scottish Government, 2010).

A5.4. Scottish Household Survey (2005-2009) Source: Scottish Government







Appendix 6 – Examples of good practice

Case Study 1:

Project/ Strategy	Barclays Money Skills 14 – 17 years and Barclays Money Skills 16-25 years
Organisation	Barclays.
Objective	Developing young people's money management skills; help them to think about the financial skills that they need; to encourage them to consider the role of money in their lives; and to help them consider the financial dimensions of future education, training or employment.
Target group	14-17 years olds who are recent school leavers and 16-25 year olds who are vulnerable and excluded.
What was done?	A resource pack has been developed for the 2 target groups that can be delivered by a range of practitioners, such as community workers; youth offending teams and college tutors. The packs enable these practitioners to run sessions and workshops designed to improve financial capability.
What lessons can be learnt?	This is an accessible resource that can be delivered in a range of ways by a variety of practitioners to improve young people's financial capability. The resource focuses only on basic skills and links are provided for follow up activities.
Source	Barclays (2009a). Barclays (2009b).

Case Study 2:

Project/ Strategy	Basic Skills Agency's Skills for Life and Financial Literacy Development Project
Organisation	HM Prison, Liverpool.
Objective	Support the development of financial literacy.
Target group	51 prisoners at HM Prison, Liverpool.
What was done?	A financial capability training course was delivered by a community education specialist and a Citizen's Advice Bureau financial skills trainer. The course drew on the Adult Literacy and Numeracy Core Curriculum.
What lessons can be learnt?	The evaluation of this course confirms the importance of financial training in prisons. The following recommendations were made: 1) Training needs to be situated with a wider framework of advice and access to advice 2) Courses need to be open and relevant to those with a range of abilities 3) Prisoners need to be empowered to make changes rather than amass financial information.
Source	Jones (2006).

Case Study 3:

Project/ Strategy	English at Work
Organisation	Workers' Educational Association (WEA) - Voluntary sector provider of adult learning.
Objective	A 'Living in the Highlands' Tutor Resources Guide for English for Speakers of other Languages (ESOL) tutors has been produced. Course run over 10 weeks and 15% of them covers financial topics that can be adapted to each industry. The programme is funded by the Highlands and Islands Enterprise, the Scottish Government (through Highland Adult Literacy), and the European Social Fund.
Target group	Migrant workers in the Highlands enrolled in ESOL courses
What was done?	The course covers issues such as opening a bank account, paying bills and National Insurance.
What lessons can be learnt?	1) It has helped migrant workers understand the banking system. 2) The course needs to run at times and in locations convenient for learners. 3) Links should be established with employers to facilitate attendance of their employees. Employers have commented on the benefits to their workers.
Source	Scottish Government (2008c).

Case Study 4:

Project/ Strategy	Fairbridge West, Bristol
Organisation	Charity which works with individuals aged between 13 and 25 years who are not in education, employment or training.
Objective	Pilot of an FSA project on financial skills with a series of partners - Bristol Debt Advice Centre, Royal Bank of Scotland and the Money-go-Round Credit Union. The aim of the pilot was to identify good practice and to inform future work in other Fairbridge centres and organisations.
Target group	Disadvantaged individuals aged between 13 and 25 years
What was done?	Financial capability was embedded into existing courses and a new course entitled 'On your own 2 feet' was created. This course combined financial fact finding with film making.
What lessons can be learnt?	1) The needs and backgrounds of individual clients should be assessed. 2) Only a few financial skills should be taught, but intensively and repeatedly. This aids learning and understanding. 3) Learning should also be relevant to the client's experiences. 4) The staff need to be financially confident as clients often learn by example. 5) The capacity of partners needs to be built up so they have the time and resources to fully engage with clients. 6) Clients need to regularly review the skills that they are developing.
Source	Atkinson (2005).

Case Study 5:

Project/ Strategy	Financial Awareness Education Project for Black and Minority Ethnic Individuals
Organisation	Dundee Citizens Advice Bureau (CAB) and Dundee Voluntary Action (CVS).
Objective	Provide access to financial education for black and minority ethnic (BME) communities in Dundee.
Target group	BME communities in Dundee.
What was done?	The strategy is centred on *B4* (benefits, borrowing, budgeting and bill paying). Training sessions have been delivered by Financial Awareness Education Adviser for groups of Chinese women, eastern European migrant workers and Asian women.
What lessons can be learnt?	1) Learners have reported increased financial awareness and confidence 2) Community engagement has been crucial to the success of the strategy 3) It is important to translate the learning material for learners. Interpreters, who have financial awareness, have also facilitated the session. 4) Question and answer sessions at the end of each class have ensured a wide range of topics are addressed 5) Learners need to be made to feel comfortable and sessions should be accessible.
Source	Scottish Government (2008c).

Case Study 6:

Project/ Strategy	Financial Inclusion Newcastle (FIN)
Organisation	Credit Union.
Objective	As part of the New Deal for Communities, FIN was set up in 2002 with the aim of addressing financial exclusion in a deprived part of Newcastle upon Tyne.
Target group	Residents in a deprived area of Newcastle upon Tyne
What was done?	FIN supported 4 credit unions in the West End of Newcastle with the aim of providing accessible financial services and increasing financial awareness.
What lessons can be learnt?	This strategy is no longer running. Three lessons can be learnt from FIN's demise: 1) There were problems with the internal structure of FIN 2) There were local tensions between residents and regeneration schemes 3) FIN had problems establishing links with the independently run credit unions. These unions were small and the workers often lived outside the area.
Source	Fuller and Mellor (2008).

Case Study 7:

Project/ Strategy	Health Advice Benefits Initiative Team (HABIT)
Organisation	London Borough of Southwark Benefits and Health Project.
Objective	Advising patients on benefits issues.
Target group	Patients of 39 GP practices across Southwark.
What was done?	Fifteen weekly and 24 fortnightly advice sessions are run by 8 welfare rights advisers, for up to 5 patients, at the GP practices (except one which does not have the facilities).
What lessons can be learnt?	1) The advice service assisted 2,004 people to obtain an extra £1.7m in benefits in 2006. 2) The service is valued by patients and health and social care professionals. 3) Good links between health and social care services in the borough have ensured the project's financial security. 4) GPs have found that the service is a useful way to address benefits issues that affect patient's health.
Source	(Bateman, 2008).

Case Study 8:

Project/ Strategy	Huyton Money Advice and Budgeting Service (MABS)
Organisation	Huyton Credit Union Ltd.
Objective	A money advice service which aims to provide support and skills to help individuals cope with debt.
Target group	A low income community to the east of Liverpool.
What was done?	The 3 elements of MABS are: 1. Money advice service 2. Budgeting and bill paying account and 3. Credit union loans unrestricted by standard loans policies. These loans are covered by an externally donated guarantee fund.
What lessons can be learnt?	1. Instant loans are not made to pay off debt. The total social and financial situation of client is taken into consideration. 2. Loans are given in the wider context of money advice 3. Those who are given loans must save with the credit union 4. The scheme recognises that those in debt still need credit. MABS encourage people not to turn to money lenders 5. Money advice needs to be linked in to financial education to make a long term difference to people's lives.
Source	Jones (2003).

Case Study 9:

Project/ Strategy	MoneySense programme
Organisation	Royal Bank of Scotland Group.
Objective	The MoneySense programmes aim to provide free and impartial advice to improve the financial capability of consumers (whether they choose to bank with the Royal Bank of Scotland Group or not).
Target group	School students and adults.
What was done?	1. MoneySense is a large financial education programme that has been running for the last 15 years. The MoneySense for Schools programme uses web based and face-to-face learning to help school students manage their finances in the future. Teachers are supported by Royal Bank of Scotland Group employees who visit schools. 2. MoneySense for Adults delivers impartial and free advice to adults to improve their financial capability. Staff deliver this advice face-to-face, there are leaflets available in branch and there is an online resource.
What lessons can be learnt?	1. There is a need for free impartial advice delivered through a range of channels to a variety of audiences 2. The Royal Bank of Scotland Group has valued working with partner organisations in the delivery of the MoneySense programmes.
Source	Royal Bank of Scotland Group (2008).

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