GETTING A FAIR DEAL?

HOW TO HELP VULNERABLE YOUNG PEOPLE MANAGE THEIR MONEY
EXECUTIVE SUMMARY

Action for Children works across the UK to remove barriers that prevent young people from fulfilling their potential and acts early to support their move into adulthood.

The young people we work with have big worries about how to manage money and avoid financial problems like debt. Our staff say that they also need tools to help young people make good financial decisions, particularly those already struggling to live on a tight income.

This report looks at what young people think would help them become more confident about managing money.

Building on our 2014 policy paper Paying the Price, we examine vulnerable young people’s experiences of accessing financial education, advice and support where and when they need it.

Recognising the significant and multiple challenges many vulnerable young people face, we wanted to find out from young people themselves how their ability to look after their finances can be better supported outside the classroom and by mainstream financial services.

YOUNG PEOPLE MOST AT RISK

Most young people are already classed as ‘vulnerable’ when it comes to managing money. Their experience is limited, their knowledge is restricted to what they have been taught at home or school and they haven’t yet had a chance to learn from their mistakes.

But some young people are far more vulnerable. We know from years of working with children that the events of childhood will follow them into adulthood. For some, this means years of missed school, being unsafe at home or in their community, having low self-esteem and poor health. Some young people may not find it easy to trust in adults and so live on their own earlier.

This can lead to living in the moment or risk-taking. Equally, not all young people have family or carers to turn to for support. This all makes managing everyday life a greater challenge than it is for their peers.

Many factors make someone more vulnerable. Young people may have been in care, become parents early on in life or spent their childhood caring for an older relative. Physical disability and poor mental health can make managing money a challenge.

Vulnerable young people are also more likely to live in poverty and struggle to manage an already difficult financial situation.

30%

or

2.7 Million

14 to 24-year-olds in the UK live in poverty - a rate that is higher than any other age group.

One characteristic they all share is that they do not have the luxury of making mistakes from which to learn. One unpaid bill, missed rent payment or unforeseen emergency can force some young people towards high-interest lenders (or, worse, to loan sharks) and debt can quickly spiral. We asked young people to tell us about the issues or events that trigger financial worries and difficulties, and what they thought would help them manage their money better so that negative experiences, like problem debt, could be avoided.

Our survey of young people shows that:

- 67% of the most vulnerable young people tell us they never had, or do not remember having, any financial education in school.
- 59% would not go to the bank as they find them intimidating and, sometimes, quite unhelpful.
- 87% would not go to the Jobcentre for financial information or help. It was seen as a no-go area.

It would help young people to:

- Get the right advice at ‘teachable moments’ - those life events that bring additional financial responsibilities with them. 72% tell us that this is when they leave home and 59% say it is when they have children.

- Receive help with everyday living. 74% of young people in our survey want to know how to budget and 51% of young people want to know how to manage their bills.

Young people stressed the importance of trust:

- Trust is a difficult thing to win from this group of young people. Jobcentres and banks are generally not trusted. Parents, carers and professionals, like social workers, health visitors or housing advisers, are more trusted.

- Winning their trust involves simplifying language, being welcoming and flexible, offering products that include an educational element (e.g. helping young people to manage their money by alerting them early to potential problems), helping them to save, and helping them to budget.

These are the things that vulnerable young people say would make a difference.

**FINANCIAL CAPABILITY MATTERS**

Young people who are financially capable have a better understanding of how money works, how to manage it, how to access and how to make best use of financial products and services. Financial capability is the degree to which a young person understands key financial concepts, and is able to manage their personal finances and make the right decisions in the short term, as well as plan their finances for the longer term. Financial capability is said to be linked to becoming economically active and financially secure. A number of factors influence young people’s ability to reach their potential, but getting into financial difficulties can hold young people back from building independent lives, holding down a job or finding training.

**ACTION IS NEEDED**

Successful governments have recognised the importance of improving our financial abilities, and the retail financial services sector contributes millions to financial education. Some financial providers recognise that managing money is an essential life skill. The financial regulator protects existing customers from unfair practices and tries to remove practical barriers to access. However, the regulator cannot make banks and building societies want vulnerable young people as customers. They are not ‘average’ consumers. Improving young people’s financial capability is in everyone’s interest so government, regulators, and financial services need to consider new ideas for how to do this.

Proposals on new conditions for young people seeking work and changes to housing benefit are likely to have further implications for the young people at greatest risk of financial exclusion. The Youth Allowance will have tougher tests than the standard Job Seeker’s Allowance. Jobcentres are already difficult places to be – even for those of us lucky enough to be articulate and confident. The young people who most need flexibility and understanding as they build an independent life could quickly fall foul of the rigid demands of the new requirements.

We believe that the Government’s commitment to promoting financial inclusion must translate into giving vulnerable young people opportunities to succeed. Financial skills are part of a package of life skills that can help young people make the most of apprenticeships and employment opportunities. There is an opportunity to improve access to financial advice as part of employability support to enhance young people’s chances of progressing into and staying in employment.

Vulnerable young people should be given the chance to develop these skills and have access to mainstream financial services, with an understanding that extra support may be needed. Implementation of the UK Financial Capability Strategy provides an opportunity to get this right. But, leadership is needed to make sure all providers play their part. As the corporate parent to locked after young people Government must lead by example, encouraging young people to develop healthy financial behaviours – just as parents prepare their children for the future.

“We in the British government also attach real importance to increased financial inclusion to improve the lives of many of the most vulnerable in our country. And we know that all over the world, other countries are tackling similar issues. So the starting point is the enabling - making sure that the most financially excluded have access to banking facilities, such as basic bank accounts.”

Andrea Leadsom MP, former Economic Secretary

Financial institutions - especially banks and building societies - could do much more to help young people and make sure that existing programmes have the desired effect. They need to simplify the language they use; offer a more welcoming environment; and develop products that have an educational element. These could help young people to manage their money by building in tools that keep them alert to potential problems, helping them to save, and helping them to budget.

It makes no sense to let vulnerable young people struggle with debt, leading to serious consequences like homelessness. People who are in control of their lives and finances are more resilient, more able to find and keep work, and more likely to create a stable home. They are happier, healthier, and more productive.

Young people who thrive are an asset to society and cost the public purse less. People who in control of their lives and finances are more resilient, more able to find and keep work, and more likely to create a stable home. They are happier, healthier, and more productive.

Young people who thrive are an asset to society and cost the public purse less. They are potential customers for banks and building societies. They are more likely to pass self-esteem, ambition and life skills on to their own children.

Making sure that the most vulnerable young people are able to manage is both morally and practically the right thing to do.
WE RECOMMEND THAT

- The Government:
  - Ensure that the additional vulnerabilities of some young people are explicitly acknowledged in the UK Financial Capability Strategy.
  - Consider making financial skills and advice integral to employment and training programmes and support.
  - Involve all Ministers responsible for housing, welfare, education, employment and skills in the implementation of the UK Financial Capability Strategy.

- Money Advice Service:
  - Address gaps in advice and information for professionals who support young people.
  - Take our Young People’s Banking Checklist Challenge and do more to recognise that vulnerable young people can be vulnerable consumers.

Our full recommendations can be found on page 24.

METHODOLOGY AND BACKGROUND

We spoke to 44 vulnerable children and young people in workshops, and received responses from a further 163 vulnerable young people aged 11 to 26 through an online survey. The survey was distributed by Action for Children services and organisations working with young people, such as those supporting care leavers, homeless young people, young carers and young people not in training or employment.

Action for Children has delivered financial capability resources and training for vulnerable young people and professionals since 2006 through working in partnership with Barclays and its Barclays Money Skills programme.

Financial education and capability continues to be a priority for Action for Children. In 2014 we published Paying the Price, which involved young people and practitioners from across our services. We surveyed 148 practitioners and spoke to 21 young people, building on workshops with practitioners, young people and parents across the UK, at which financial education and debt were identified as top concerns.

THE ISSUE TODAY

CHALLENGES FACED BY VULNERABLE YOUNG PEOPLE

Few young people in the UK are well equipped to make financial decisions. In general, young people under 25 have low levels of financial capability, and are more likely to have problems with debt - 31% are over-indebted - and are less likely to plan ahead. They lack confidence and worry about managing their money, but also feel uncomfortable talking about it, which makes it harder for them to seek help and support.

Some young people have additional challenges in their lives. They can be children in care or care leavers, homeless young people, young parents, or young people not in education, employment or training (NEET) - and by definition are disadvantaged. Many have multiple vulnerabilities: there are strong links between leaving care and being homeless, being a young parent, or being NEET. Many are trying to live on a low or unpredictable income just as they are becoming adults, thinking about what to do next and attempting to live independently.

Other groups - for example, young carers, and disabled young people - face a different set of challenges. They often learn how to manage their money from their parents or carers. Though no less acute, their need for financial education can come later than their peers.

Many find it difficult to move on and become independent when they reach adulthood, and struggle with financial issues as a result of the additional costs and lower levels of school attendance and employment associated with illness and disability.

Not being financially secure or dealing with money troubles can compound other difficulties, such as maintaining a tenancy or experiencing poor mental health. Paying the Price showed that problem debt and struggling with money can have a profound impact on vulnerable young people’s lives. Consequences include homelessness, increased risk of being unsafe and less engagement in employment and training.

It is important to consider where young people may be coming from and how coping with other challenges in their lives may influence how financially capable and confident they are.

NOT HAVING ENOUGH MONEY TO LIVE ON

A disproportionate number of vulnerable young people live in poverty. 25% of the vulnerable young people in our survey told us they do not have enough money to pay for essential items. Some of the young people we spoke to were struggling with having enough money to live day to day.

“I still don’t have enough money to eat.”

“I have 4 kids, wages are low, benefits take ages to get sorted, not enough money to live on.”

“Constantly in debt.”

Official figures indicate that around 2.7 million, or 30%, of 14 to 24-year-olds in the UK live in poverty - a rate that is higher than any other age group. The poverty rate among 20 to 24-year-olds has grown by 6% over the last ten years. Again, more than any other age group.

Benefit levels are well below the poverty threshold for all family types (NPI figures based on HBAI, 2014).

All figures quoted are After Housing Costs.
Current rates for Income Support and Jobseeker’s Allowance per week | 2012/13 poverty threshold per week
---|---
£57.90 for 18 to 24-year-olds | £130 for a single adult
£57.90 for a lone parent aged 16 to 17 |  
£73.10 for a lone parent aged 18 or over | £175 for an adult with one child under the age of 5
£87.50 for couples under 18 with a child |  
£114.85 for couples 18 to 24 with a child |  

And work is not a cure for poverty: 12% of young people in full-time employment, and 25% of those in part-time employment live below the poverty line, though the highest percentage of those living in poverty are unemployed young people (54%), and those classed as economically inactive (57%).

Living on a low income makes every day budgeting even more of a challenge - financial education can help a young person manage their money better.

### NOT IN EDUCATION, EMPLOYMENT OR TRAINING

In addition, a common factor that has a disproportionate effect on vulnerable young people is not being in education, employment and training (NEET), after they leave compulsory schooling. 963,000 or 13.2% of 16 to 24-year-olds in the UK were NEET at the end of 2014. Young people who are NEET are at particular risk of having poor financial management skills, and many have had a very poor experience of education, leaving school with few or no qualifications. They are often caught up in a cycle of short-term loans and debt, and are dependent on benefits or a low income.

Many live in a cash economy outside mainstream financial services, which makes it easier for them to spend the money they have without much thought about the consequences. Being NEET is strongly associated with having been in care, having learning disabilities, having insecure housing or being homeless, offending behaviour, and being a young parent.

### FUTURE CHALLENGE

The benefit system is due to change as Universal Credit is rolled out across the country. Universal Credit combines six different benefits (Jobseeker’s Allowance, Income Support, Employment and Support Allowance, Housing Benefit, Child Tax Credit and Working Tax Credit) into a single lump sum payment. While most current benefits are paid weekly or fortnightly, Universal Credit will be paid monthly, and in arrears. Housing support will go direct to the young person, rather than to the landlord as happens under the current Housing Benefit system. A group of young mothers told us how worried they are about having to begin to manage their money monthly - and budget in rent payments - without support.

### FEWER OPPORTUNITIES TO LEARN ABOUT MONEY

The vulnerable young people with whom we work - those who have been in and out of school, in care, had a poor educational experience, or who have a difficult relationship with their parents or carers - have had fewer opportunities to learn how to manage their personal finances either at school or home.

“I wouldn’t even know where I receive this sort of information?”

“I try to do it myself.”

“I have no idea what the cost of living independently is.”

### LEARNING AND ADVICE AT SCHOOL

For some of these young people, school may be the only place they have a chance to learn about money and personal finance. But, due to the many challenges they face, they are more likely to have missed significant periods of schooling. Some may have a difficult relationship with their teachers, have little trust in authority figures, and feel socially as well as financially excluded.

We asked young people to tell us whether they had had any financial education. 67% (AFc survey) of vulnerable young people said that they did not receive any financial education at school, meaning its delivery has been patchy and inconsistent. They also connect financial education with maths, a subject many found difficult - it could have been more interesting if they’d realised they were learning about money.

“College did one sheet with us in an hour session but I don’t feel like that is enough.”

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Those not looking for employment, in this analysis excluding students. About 40% of this group have caring responsibilities at home, or are sick or disabled.
FINANCIAL EDUCATION AND FINANCIAL CAPABILITY

Financial education aims to deliver financial capability. It can be split into two types: ‘formal’ financial education, which takes place at school or college; and ‘informal’, voluntary or lifelong financial education, which involves the financial learning provided by parents or carers that takes place at home, and that provided by professionals that can take place in a variety of settings.

Financial capability is driven by a person’s:

a. **Skills** - some ability to ‘do the maths’, as well as self-control, decision-making and problem-solving.

b. **Knowledge** - being able to identify where and when to seek information, advice and support, especially when a person faces the type of life event that will impact on their financial situation.

c. **Attitudes** - the underlying beliefs and values that may influence the way a person behaves with money.

d. **Motivation** - The thought processes which affect the way a person behaves with money.

e. **Opportunity** - External factors that affect the way a person behaves with money.

FINANCIAL EDUCATION AT SCHOOL

The rationale for formal financial education is straightforward: financial products are becoming more sophisticated and complex, and financial services (mobile banking, cashless payments, online accounts) are being made available to children at earlier ages. At different ages and stages children learn about functional mathematics, income and expenditure, budgeting, credit and debt, insurance, savings, pensions, and financial products and services. School-based financial education is meant to be both preventive and preparatory - an opportunity to pre-empt debt, encourage saving, and provide children with the skills and knowledge they need to make sound financial decisions in the future. It is also the most efficient way of reaching the majority of children and young people.

88% of people in the UK believe that children and young people should receive financial education at school, and a clear majority of young people want to learn about personal finance as a life skill.

LEARNING AT HOME AND IN THE COMMUNITY

Young people are most receptive to learning about money on a need-to-know basis, which means financial education has to be available outside the classroom. This kind of informal financial education can include: the information and advice provided by family and friends or through specialist advice services like Citizens Advice in the community; or targeted support provided by public and third sector practitioners with whom the young person is already working such as youth workers, social workers, housing advisers, health visitors or children’s centre staff.

When seeking employment and training opportunities, one potential source of advice about information and support for money issues could be the Jobcentre. But, 87% of the young people in the survey told us they would not ask for help at a Jobcentre; it was seen as a no-go area.

“They’ve been through it all so they know what to tell me that’s important.”

But others do not. A group of homeless young people told us that their families were not good sources of help, and they felt unable to go back to them for advice or support. A young mother said her parents expected her to learn what she needed to know at college.

63% (AIC survey) tell us they learned about money at home, but their experience of how reliable and comprehensive it was is mixed. Some of the young people are getting a good financial education from their parents.

“They’ve been through it all so they know what to tell me that’s important.”
**YOUNG PEOPLE AT GREATEST RISK OF FINANCIAL EXCLUSION**

**90,033**

CHILDREN IN CARE IN THE UK (2014)

**52%**

**29%**

**52% OF THOSE SEEKING HELP WITH HOMELESSNESS ARE UNDER 25 (IN ENGLAND).**

**29% OF THOSE ASSESSED AS HOMELESS ARE UNDER 25 (IN SCOTLAND).**

**WHAT IT’S LIKE**

- Leave home earlier than other young people - as young as 16.
- Deal with the impact of the abuse, neglect, or family difficulties.
- Eligible for continuing support to the age of 21, or 25 but only if they are being helped with an agreed programme of education or training.\(^{22, 25, 26}\)

**MONEY CHALLENGES**

- Most care leavers learn their money management skills through hard experience.
- They can feel isolated and unsupported when they face financial difficulty.\(^{26}\)
- They want to be taught practical skills like budgeting to help them manage tenancies and pay the bills.\(^{27, 28}\)

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**HOMELESS YOUNG PEOPLE**

**370,000**

OR 54%, OF YOUNG PARENTS AGED 19 TO 24 LIVE IN POVERTY

**20,000 YOUNG PARENTS IN POVERTY UNDER 19.**

**WHAT IT’S LIKE**

- Young mothers are more likely to have low educational qualifications and, once their child starts school, remain out of work or work fewer hours than they would like to, so have less money to live on.\(^{29}\)

**MONEY CHALLENGES**

- For many young parents, having enough money to manage on is the core issue. They have to be able to budget on a very tight income.
- 37% of lone parents working or looking for work find it difficult or very difficult to cover childcare costs.\(^{30}\)

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**HOMELESS YOUNG PEOPLE**

**290,369**

YOUNG CARERS IN THE UK AGED 16 TO 24.\(^{29}\)

**WHAT IT’S LIKE**

- Young carers look after one or more of their family members - a parent, grandparent, or sibling - who have a long-term physical or mental illness or disability, or drug and alcohol problems.
- Their schooling is often disrupted due to their caring responsibilities.
- More likely to be living in poverty because of the additional costs and lower levels of employment associated with illness and disability.\(^{35}\)
- It’s harder for them to continue their education, go out and get a job, or leave home.

**MONEY CHALLENGES**

- They want help with budgeting, bills and maintaining a tenancy.\(^{33}\)
- Over half had borrowed money and were in debt in order to pay for food, rent or bills.\(^{31}\)
- 37% of lone parents working or looking for work find it difficult or very difficult to cover childcare costs.\(^{30}\)
LIFE EVENTS: GETTING ADVICE AT THE RIGHT TIME

Whether school-based financial education has a long-lasting impact or can counter negative financial behaviours learned at home is harder to evidence. School-based financial education can improve financial literacy in terms of knowledge and skills, but has less impact on the way young people behave with money. 43

On the whole, young people learn how to manage their money when faced with real-time financial decisions which are going to have an immediate impact on their lives. 44, 45

Financial education has more influence if available at the point when most young people need it - when they are becoming adults. 46

The boundary between childhood and adulthood is blurred. Although 18-year-olds are adults by law, they are still growing into the changes we associate with adulthood: finishing education or training, leaving home, getting a job, and having a family. These are the sorts of life events likely to inform the next UK-wide financial capability strategy, but how well do they match what young people tell us they want to know about, and when?

Young people told us that the most important time that they needed to learn about money and received advice was around transition into adulthood. 72% tell us they want financial education when they leave home, compared with 27% who say that they want financial education at school. Questions about costs predominate: the cost of renting; how to prioritise bills; how to be thrifty; how to keep out of debt.

“Help to be able to budget for my kids food and clothing and stuff for the house.”

Moving on to further and higher education was also cited as important. 33% tell us they want financial education when they go into further education or university. Having a bank account, understanding interest rates and student loans/bursaries, having information on how to study and pay for childcare, and being able to budget are priorities.

“A FAIR DEAL? WHAT WOULD HELP YOUNG PEOPLE”

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A Fair Deal? What Would Help Young People

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“What bills need paying and where to go and set these bills up.”

“How to use debt effectively without getting in too deep.”

59% said that they want financial education when they become a parent. How to manage the household budget is the overriding issue: coping with extra expenses like baby equipment or school uniforms.

“How to spend money well on things regarding the children - do you need an expensive pram?”

“So I don’t mess things up.”

Moving on to further and higher education was also cited as important. 33% tell us they want financial education when they go into further education or university. Having a bank account, understanding interest rates and student loans/bursaries, having information on how to study and pay for childcare, and being able to budget are priorities.

“As part of the first year course - how to save, budget, manage debt, pay bills.”

“The first time I was in charge of large sums of money through my Student Loan.”

A Fair Deal? What Would Help Young People

Around 12% of 16 to 24-year-olds have a long-term illness or disability (in the UK 2014) and 33% percent of disabled 14 to 24-year-olds live in poverty. 41

What It’s Like

• Disabled young people say they don’t get enough information about money and benefits.

• Although some parents might want to protect their children from having to make financial decisions too early, disabled young people want to be more independent - they want to be involved in decisions made about their financial entitlements and take control of their finances. 42

Money Challenges

• Having to manage the additional costs related to disability - equipment costs, higher fuel costs, or higher transport costs - are what worry these young people most when they leave home.
Having an opportunity to learn at home was seen as helpful for future experiences, such as moving out. 39% tell us they want financial education while they are still living at home. This is the time to understand and start to handle money, and begin to realise how important it is to save. Learning at school was also when young people want to learn how to budget.

“A good place for beginnings.”

“Advice around saving and budgeting and households bills - costs of living.”

“General budgeting basics so you are able to use these skills when you begin to need them... Make it less intimidating if you already know the basics.”

But the real trigger points for financial education are starting college/university, leaving home and becoming a parent. For young people entering adulthood, everything is a ‘first’: the first month’s rent; the first paycheque; the first utility bill; the first child benefit payment.

Financial education and advice is a must at these key points in young people’s lives.

These ‘firsts’ can be experienced at different points and in different ways for vulnerable young people. For example, the most vulnerable young people leaving care can live on their own for the first time when they are 16 or 17 years old. Without family or social networks to rely on support at the right time is even more important.

REAL LIFE EXAMPLES: BUDGETING AND BILLS

At its simplest, a budget is a record of money coming in, and payments going out.

74% of young people in our survey want to know how to budget. 51% of young people in our survey want to know how to manage their bills.

For people on low incomes, being able to budget is critical. It helps young people to see where their money is going, make sure they keep on top of paying for the essential things like food and rent, and assess whether and how much they might be able to save for the future. Part of it is knowing what things cost and what has to be paid for (rent, heating, lighting, water rates, phone/broadband, TV licence, Council Tax, transport, food, clothes, toiletries). The extent of the types of bills they have to pay can take inexperienced young people by surprise, and lead to them falling into debt.

MAKING SURE TRUSTED ADULTS ARE ABLE TO HELP

PARENTS AND CARERS

At home, not all parents are proficient money managers or advisers. Some will help their children to open a bank account, but never talk to them about what household bills there are or what insurance is for. Also, children tend to learn by example, which means they imitate and repeat both the positive and negative financial behaviours they observed during childhood.

Although 81% of parents believe their children should learn about money from them, one in ten admits they do not understand enough about their own finances to be able to pass knowledge on to their children. Although 81% of parents believe their children should learn about money from them, one in ten admits they do not understand enough about their own finances to be able to pass knowledge on to their children. Children who grow up in a home environment where the family struggles to pay the bills, or save up for the future, are less financially capable than those growing up in more affluent families. There is also considerable evidence that many parents find money an awkward subject to talk about to their children.

The way a parent or carer behaves with money can have a lifelong impact on the way their children manage their own finances.

EQUIPPING PARENTS AND CARERS

Parents and carers need to be better equipped to teach their children about money. Family learning programmes could help parents and carers to improve their understanding of money management and financial services, as well as change their own financial behaviours and to build on the financial education their children are learning in school.

PROFESSIONALS

Vulnerable young people who have a difficult relationship with their parents, or who live away from home, need other sources of information, advice and support. They need to be able to ask for advice from adults who they know and trust, who are already familiar with their history and who treat them with respect - their leaving care worker, health visitor, youth worker, student adviser or tutor at their Further Education College, or housing association worker.

“Experts should come to youth clubs and talk to us.”

“I’d go to my young carers group.”

“They [children’s centre staff] listen, don’t judge, help me fill in forms, allow me to use their phone for benefits, explain jargon, give me praise.”

There is evidence that public spending cuts have led to reductions in the levels and type of support offered to vulnerable young people. And many professionals doubt their own financial capability, lack confidence in their ability to work with figures, and worry about straying into debt counselling or benefit advice when talking to young people about money.

Importantly, programmes that give professionals the resources and skills to support young people develop financial capability, can make a positive difference.
A FAIR DEAL? BETTER BANKING FOR YOUNG PEOPLE

THE EVERYDAY REALITY FOR VULNERABLE YOUNG PEOPLE

BORROWING AND SAVING

Vulnerable young people need to be able to access small amounts of money quickly - £10 to £100 - to help pay the bills, cover unexpected costs or pay for special occasions like Christmas. Many borrow from friends or family but then may fail to repay the money, which can damage their relationship with those they rely on most.18

Others borrow from payday lenders and end up borrowing more in order to pay off the original loan.

Living on credit is a constant churn of borrowing, being in debt, repaying the money, and then borrowing again - just to keep going. A 2013 government report found that 43% of 18 to 24-year-olds did not.20 This leaves them more likely to have to borrow money to pay for unexpected expenses.20

HAVING A BANK ACCOUNT

Most young people in the UK have a bank account, but around eight percent of 16 to 19-year-olds, and four percent of 20 to 24-year-olds do not.21 Those who don’t have a bank account tend to be:

- Poorer
- Dependent on benefits
- In debt
- Worse off because of a bad credit score
- Without a permanent address22

They are over-represented among the vulnerable young people we work with. They find banks intimidating places that they “aren’t for people like us”.23

Being in debt may have become a social norm, but it has other repercussions in terms of young people’s health and wellbeing,11 and their financial inclusion. One in five young people have never heard of credit scores or credit ratings, and do not realise that a failure to pay a bill or pay back a loan on time could affect their ability to open a bank account, take out a mobile phone contract, take out other loans, or get a job.20

28% of young people in our survey want to know how to manage debt, whilst 57% want to know about saving money.

13% of young people in our survey save money every week; 32% save monthly; 28% save a couple of times a year; and 27% never save money.

Yet young people understand the importance of being able to plan ahead, and the value of having money put aside to help cope with unexpected expenses and emergencies, as well as the occasional treat.

While they may want to save, 44% of young people under 25 cannot afford to save £10 a month or more.20 This leaves them more likely to have to borrow money to pay for unexpected expenses.20

WHAT SHOULD FINANCIAL SERVICES DO

Sometimes, financial institutions like banks can provide extra help. But, when asked about this 59% of young people said that they would not ask for help at a bank. Our previous research also showed that mainstream financial products and services often do not work well for vulnerable young people, saying they “aren’t for people like us”.

“Banks are a bit intimidating to approach. Much of it is offered online and knowing where to go is difficult.”

Whilst banks, building societies and the Post Office are not in a position to give financial advice, more could be done to make sure that financial services and products are accessible for all young people.

WHAT DO BANKS DO?

The retail financial services sector already contributes to supporting young people’s financial and employability skills. Programmes include initiatives such as Barclays Money Skills that Action for Children has run in collaboration with Barclays.

Since 2006 the Barclays Money Skills programme run by Action for Children has enabled some of the hardest to reach groups to gain access to financial capability support, financial services and advice and guidance on how to manage money. The core focus was on service users aged between 16 and 25 years old, but extended to people from ages 10 up to 35 years old where there was an identified need for money management training.

Our evaluation of our programme in 2014 found that after six months:

- 74% of young people had changed their financial behaviours
- 96% were still using a budget plan
- 97% were confident in managing money and debt
- 93% still understood how to make financial changes to achieve savings goals
- 92% could choose financial products to suit their needs
- 93% felt confident to seek help with financial matters
- 92% would recommend the Barclays Money Skills programme to others

Young people talked about a number of ways in which banks and other high street providers can improve banking for them, and increase the impact of existing programmes and measures.
**USE SIMPLE LANGUAGE AND EXPLAIN THINGS**

“People in the bank use big words and I just agree with them. I agree with what they say but don’t understand it.”

“They explained it not too badly but I’m quite young so it wasn’t very interactive or easy to take in.”

When we asked young people what they wanted to know more about, 30% of young people said that they want to know more about basic financial terms, and what they mean - for example, interest, overdrafts, insurance, and the difference between a debit and credit card. They also want to be able to understand terms and conditions, which they find unnecessarily complex - “too much paperwork”.

Just eight percent of 18 to 24-year-olds in the UK admit to having a ‘high understanding’ of financial literature. 64 For young people to be included in a financial system, they need to be supported to understand it.

Too many providers assume young people have a high level of financial literacy and understanding.

Staff must be able and take time to explain things in simple, non-technical language.

Financial services need to simplify all financial documentation; have glossaries available to explain even the most basic financial terms and jargon; and pare down terms and conditions to the essential points young people need to know before they sign up to any contract or agreement.

**UNDERSTAND AND EMPATHISE**

“As I save every week, I’m known by all the advisers in the branch and they have helped me when I’m unsure of things as they explain in a way that I can understand what they are talking about.”

“I don’t feel comfortable talking to a stranger about financial difficulties.”

Being able to understand and empathise with the young person’s situation is rated very highly. The ability to communicate with a young person in a non-judgmental and respectful manner is important to vulnerable young people - and they will continue to go back to that same person or institution because they trust and feel valued by them.

Some of the most effective financial advisers are young people who have been given training and support to provide financial education to their peers.65

**TARGET INFORMATION**

“Explain and give answers to common questions.”

“Send emails with advice to show you what you are meant to be doing to save money.”

“Have sessions aimed at young people.”

**BE FLEXIBLE**

“What kind of bank account is suitable for you.”

“They’re good on overall advice but not very good on details.”

Vulnerable young people are looking for advice as well as financial education and information - the sort of advice that fits their situation, responds to their particular needs and is delivered by people who are familiar with and sensitive to the kinds of difficulties that they face.

**YOUNG SCOT**

www.youngscot.org/info/money

The Young Scot website provides free information to Scotland’s 11 to 26-year-olds on a range of issues, including practical things young people need to know about money, for example:

1. How to open a bank account
2. Why you need a National Insurance number
3. Understanding a payslip
4. Preparing a personal budget
5. The difference between credit cards and debit cards
6. Buying things on credit and calculating risk
7. Consumer rights

The information is relevant, concise, written in simple non-technical language, and offers practical tips to help young people keep an eye on their spending. They also offer a free and confidential phone service so young people can ask a human being for advice.

Vulnerable young people are not ‘typical consumers’. For example, opening a bank account is not straightforward for some vulnerable young people, who can be turned away because they are unable to provide the identification documents the bank demands. They often do not have a passport, driving licence or tenancy agreement.

When identification is an issue, banks should be more willing to accept a wider range of documents, for example: a letter confirming benefit entitlement; a letter from the manager of a refuge, hostel or sheltered accommodation; or a letter from a probation officer or prison governor. Although banks are not required to accept alternative forms of identification, they do have to explain why they find them unacceptable, and the young person should be encouraged to make a complaint if they believe they are being treated unfairly. It is important that vulnerable young people, such as care leavers, can access a range of services and products, including in relation to their finances - just like any other consumer.

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BE MORE ACCESSIBLE - THE MEANS OF COMMUNICATION ARE IMPORTANT

Financial information and advice services exist across the UK, yet only Citizens Advice is widely known by vulnerable young people. 55% of young people tell us they access financial information and advice online - often by searching for an issue rather than depending on a particular advice provider.

“Online chats might be good.”

However, they also value face-to-face information and advice - 65% tell us they like to receive financial information and advice in person. They want to be able to ask questions, and have someone repeat information so they are sure they understand it.

“It is very important to have face to face advice.”

DEVELOP APPROPRIATE PRODUCTS

“They could show you how to do it so that you can save money.”

The Financial Conduct Authority expects financial services to design products that meet people’s needs. Banks and other financial institutions have been working together on a Simple Financial Product initiative which, over the longer term, is meant to lead to the development of simple financial processes and products. The initial focus will be on savings accounts and life insurance products.

ENSURING VULNERABLE YOUNG PEOPLE HAVE BANK ACCOUNTS AND ACCESS TOaffordable mainstream credit could help prevent the debt escalation that is too prevalent among this age group.

FINANCIAL PRODUCTS THAT EDUCATE

Child Youth and Finance International and Unicef have developed a checklist to help banks and other financial institutions assess the suitability of their financial products and services for children and young people.

One of their recommendations is that retail financial services should embed financial education in their product design by offering young people tutorials on budgeting, as well as the responsible use and management of the financial product or service.

SIMPLE BANK ACCOUNTS

People without bank accounts have been asked what their ideal current account would look like. It would be fee-free and offer more than they can get through basic bank accounts or the Post Office Card Account, with built-in features that help the account holder to manage their money better. Specifically, it would allow for:

- Deposits, to encourage the build-up of savings, even small amounts like £1 or £2 a week
- Withdrawals at ATMs and other outlets like the local Post Office
- A payment card
- A small protected overdraft facility that would allow the person to be overdrawn for a short period of time without incurring charges
- A facility to check the account balance at will, and receive text alerts when the balance is getting low
- An automated ‘jam-jar’ payment facility that allows people to itemise what the money needs to pay for, put aside the amounts needed in different account ‘envelopes’, and pay the bills when they are due

SIMPLE LOW-COST LOANS

Banks and building societies should consider the feasibility of quick loans for the small amounts of money vulnerable young people need, or to provide a buffer zone as part of their current accounts which would allow the account holder to be overdrawn for a limited amount of money over a short period of time.

Widely marketed and advertised - making it clear that they understand the needs of, and are there to help, vulnerable young people.

Relevant - able to provide practical, tailored support specific to the young person’s needs, and to work with the young person to come up with solutions.

Ongoing - able to continue working with the young person when longer-term advice and support is needed.

Financial information and advice services can operate in ways that make them more approachable and young people friendly. This means they must be:

- Timely - providing financial education, information, advice and support to vulnerable young people at those trigger points in their lives when their financial situation is going to change
- Approachable - welcoming and young person-friendly, with staff who understand the types of issues that vulnerable young people face, and are trained to work with young people in a non-judgmental and respectful way.
- Accessible - delivered locally in places where vulnerable young people go (GP practices, youth clubs, children’s centres, FE colleges, food banks, retail outlets)
- Available - open at times that are convenient to young people, letting them seek face-to-face advice in the evening or weekends.

Coordinated with other services - based in children’s centres to work with parents, visiting youth clubs or Jobcentres to work with young people who are NEET, working alongside housing officers to provide budgeting and debt advice to renters, providing financial education and advice to young people in custody.

Financial Product initiative which, over the longer term, is meant to lead to the development of simple financial processes and products.
The Financial Conduct Authority is challenging financial services to review their approach to consumer vulnerability to make sure that people are treated fairly and given a fair deal. The FCA recognises that vulnerable people of any age are more likely to suffer harm than the average consumer, and that levels of vulnerability can be made worse by the ways in which firms operate.

Signs of vulnerability identified by the FCA include: being young, having a low level of financial capability, being disabled, having caring responsibilities, living on a low income or being in debt, and being a care leaver or ex-offender. A sudden change in circumstances - a financial shock - can also make people more vulnerable. Each of these issues can affect the young people we work with.

Some of the possible responses the FCA suggests include: staff training on different vulnerabilities, creating specialist teams to work with particular groups of vulnerable customers, recording the customer’s needs and requests for additional support. They propose that banks and financial providers have longer appointment times, take the trouble to explain things clearly, simplify documentation, and are more flexible about identity requirements. All of these are relevant to improving services for vulnerable young people.

However, none address the most basic problems that many vulnerable young people face. Even the most accessible bank account in the world cannot make £20 cover a £25 bill. Nor is the retail financial services sector likely to want to attract vulnerable young people as customers until they believe they are potentially valuable future customers. By making sure that financial capability programmes meet their needs, the Government can also turn today’s school leavers into tomorrow’s mortgage holders and small business owners.

CONCLUSION

The day to day decisions we all make about our finances, from opening a bank account to paying bills is easy to take for granted. We live in a world where consumer choice reigns. We are expected to shop around for products and services and to receive the benefits they offer. But, it is not always that simple. For many of us, money is confusing and even difficult to talk about.

For young people struggling to live on a low income, set up a home without support or even finding themselves homeless, day to day money management looks and feels different. Life events happen at different points – many experience a ‘cliff edge’ in support from services and professionals around eighteen – they leave home younger than their peers and don’t benefit from a safety net of family and friends. Having a disability or caring responsibilities present further challenges.

Their starting point is different too. For many, living on a very low income and engaging in employment and training is much more difficult than it is for their peers.

We have found that vulnerable young people are missing out on opportunities to learn about money, but even though financial education at school is important, they really want advice at important ‘teachable’ moments in their lives. It is not surprising that help with the practicalities of budgeting and paying bills is at the top of their list, and that the first time they do things as they enter adulthood – leaving home and having a family – is when information and advice is most needed.

The day to day examples of managing money are different for vulnerable young people than for other people. They need services and products that enable them to manage smaller amounts of money, in flexible and accessible ways. Banks, building societies and other financial services can do much more to make mainstream services meet these day to day needs and recognise that vulnerable young people can be vulnerable customers.

Vulnerable young people are aspirational – they want to save and invest in their futures and go on and live independent lives. But, we must not rely on them to navigate a complex financial market, or expect them to acquire knowledge and skills on their own.

Adults in their lives can help, but more needs to be done to equip professionals, foster carers and parents. Action for Children practitioners constantly speak out about the challenges involved in advising young people appropriately. We know about the positive impact training professionals can have from our experience delivering the Barclays Money Skills programme. It is important not to assume that professionals have the skills themselves, or the extra time needed to find out more.

All vulnerable young people are at greater risk of financial exclusion and the consequences of money problems are serious. Financial capability needs to be viewed as part of a package of life skills, enabling young people to make the most of opportunities to engage in employment and training and enjoy and achieve in their lives.

As the Government introduces a new approach to supporting young people into employment, it is vital that the system does not set them up to fail. Initiatives and programmes that already recognise the value of financial education must go further to make sure that efforts to help vulnerable groups really work.

The best way to do this is by listening to young people about what will make a difference. Only then, can we be confident that they will be getting a fair deal.
RECOMMENDATIONS

The Government should:

• Ensure that the work of the Money Advice Service and UK Financial Capability Strategy explicitly acknowledges the additional vulnerabilities of some young people, particularly across the ‘preparing for and managing life events’ behavioural domain. Examples include vulnerable young people leaving home earlier than their peers or becoming a young parent.

• Consider making financial skills and advice integral to employment and training programmes and support, including as part of the proposed Youth Offer.

• Ensure that all government departments help to deliver the UK Financial Capability Strategy as part of responsibilities to support vulnerable young people. This should be led by the Minister for Financial Capability and involve Ministers responsible for housing, welfare, education and employment and skills.

The Money Advice Service should:

• Address gaps in advice and information for professionals in a position to help vulnerable young people have access to information and resources. This should involve embedding the wealth of available financial education resources across the financial education and advice sector to create a sustainable offer that extends beyond formal education in schools.

Banks, building societies and other providers of financial products should take our Young People’s Banking Checklist Challenge:

✓ Work with vulnerable young people to develop products and services they can use and trust. We have nearly 150 years’ experience of working with children and young people. It has taught us the enormous value of listening first and we would urge retail financial services to do the same. Collaborating with young people who face additional challenges would help to improve literature, staff guidance and training.

✓ Use simple language everyone can understand, including simplified terms and conditions. The Financial Conduct Authority has said it will consider waiving certain rules in order to allow providers to test better ways of communicating with customers. We would like to see financial providers taking a lead here, in order to win back the trust and interest of potential customers.

✓ Make sure that all frontline staff understand how best to work with vulnerable young people and what challenges they face. The Financial Conduct Authority suggested ‘recruiting for and encouraging listening skills, emotional intelligence and empathy’. This means helping staff to understand where young people may be coming from and treating young people in a non-judgemental way.

✓ Tell young people where they can get extra help, making sure frontline staff can direct young people to the best financial advice and working with organisations like the Money Advice Service to produce easy to use signposting advice for staff specifically for vulnerable young people.

Financial services should employ the ‘Tips for firms on developing good practice’ outlined in the FCA’s recent ‘Consumer Vulnerability’ report to improve awareness amongst all staff of various areas of vulnerability, including for children and young people. This could also involve developing excellent links with advice agencies and charities, knowing where targeted help is available, referring customers in a way that makes it easy for them.

APPENDIX

POLICY CONTEXT

THE ROLE OF GOVERNMENT AND FINANCIAL SERVICES IN FINANCIAL EDUCATION AND CAPABILITY

Responsibility for the delivery of financial capability is complex. The UK and devolved Governments are responsible for overall strategy, though delivery has been delegated to the Money Advice Service (MAS) which is funded by regulated financial services firms and is independent of government.

The Financial Conduct Authority (FCA) is the regulator for banks and building societies, mortgage and insurance brokers, and financial advisers. It authorises registrations, supervises business practice, and when necessary uses its enforcement powers to protect the consumer.

But financial services and institutions are responsible for the day-to-day experiences people have and the products that they want to encourage people to use. People can complain about poor practice to the Financial Ombudsman Service (FOS), but appear to have little input into product and service design.

A coordinated effort to provide a service that understands and is responsive to the needs of vulnerable young people would mean involving young people more in service development.

THE UK FINANCIAL CAPABILITY STRATEGY

The Economic Secretary to the Treasury has ministerial responsibility for financial capability and financial services. Up to the May 2015 general election, the Government’s overall aim was to create a competitive financial services market that will help people to take responsibility for their own finances and plan for the future.

The UK has had a National Strategy for Financial Capability in place since 2006. Responsibility for the development of a new ten-year strategy - due to be launched in the summer of 2015 - has been delegated to the Money Advice Service, which is setting up a Financial Capability Board to oversee its delivery. Updated strategies for Northern Ireland and Wales are also due this year. Scotland’s approach is set out in its Child Poverty Strategy.

The MAS was established in 2011 to provide information and free advice to help people make informed choices about their finances. The Financial Services Acts 2010 and 2012 require the MAS to:

• Enhance the understanding and knowledge of members of the public of financial matters (including the UK financial system), and the ability of members of the public to manage their own financial affairs

• Assist members of the public with the management of debt

The future remit of the MAS has been reviewed. It is likely to play a stronger coordinating and support role in embedding financial education in schools and providing debt advice, though whether it will continue to provide generic financial information is unclear.
The next UK strategy is going to be built round life events - seen as a means to help people plan ahead - including the transition to working age for 16 to 24-year-olds. A ‘life event’ is ‘one that significantly alters a person’s means and/or pressures, whether planned (for example, marriage), or unplanned (such as illness or redundancy)’.

Action groups of key stakeholders will be set up to look at safeguarding the needs of vulnerable people of all ages. It is important that the strategy and associated action plans recognise the life stages that are most critical to young people, and make available financial education and inclusion interventions that will support vulnerable young people.

FINANCIAL SERVICES

Since the late 1990s, the Government’s priority has been to get as many people ‘banked’ as possible, leading to the introduction of basic bank accounts; and the Post Office Card Account (POCA). Both are intended for people living on a low income. Basic bank accounts are available to customers ineligible for a full-service account, and POCA are available to those who need an account into which to pay their benefits.

In the main, however, financial services are designed to meet the needs of the ‘typical’ consumer. The Financial Conduct Authority (FCA) is there to protect consumers, and requires financial services to treat consumers fairly.

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ENDNOTES

8. Ibid.


47. Action for Children (2014) Too much, Too Young


54. Action for Children Bristol Money Skills Evaluation


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Action for Children supports and protects the young and vulnerable as they grow up. We make their lives better: now, tomorrow and every day.

All children shown have been helped by Action for Children.

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