IMPROVING THE FINANCIAL HEALTH OF LOW INCOME GROUPS

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ABOUT THE CENTRE FOR RESPONSIBLE CREDIT

The Centre for Responsible Credit is an independent research and policy unit hosted by Learning and Work Institute. Established in 2010, we have a remit to monitor the development of credit markets; research models of responsible provision, and to promote policy responses which protect the long term interests of households.

We strive to challenge the economic orthodoxy that has led to Britain’s current personal debt crisis and provide high quality research to support effective policy and service delivery. Our work has a high impact, and is often cited in Parliament and the national media. Examples include our research into the regulation of high cost and predatory lending in the UK, which led to a cap on the total cost of credit that can be charged by payday lenders.

Our current work programme is grouped around three themes:

- ✔ Improving Credit Regulation;
- ✔ Getting Britain out of Debt; and
- ✔ Supporting Financially Healthy Lives.

Further details can be found on our website at www.responsible-credit.org.uk

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1. INTRODUCTION

1.1. The financial pressures on low income households have increased significantly in recent years. Our recent review of both aggregate data from the National Accounts and survey data from the Bank of England’s NMG survey, which was conducted on behalf of the TUC, found that:

- 3.2 million households, or 7.6 million people, are over-indebted, paying out more than a quarter of their income to their unsecured creditors (i.e. excluding mortgage payments). The number of households in this position has increased by 700,000 or 28 per cent since 2012. On this basis nearly one in eight of all UK households are currently over-indebted;

- Around half of these households are ‘extremely over-indebted’ and are paying out over 40% of their income to their creditors. The problem of extreme over-indebtedness is concentrated in households with incomes of less than £30,000 per year;

- Over-indebtedness is rising sharply amongst low income households, even though unemployment is falling. In 2015, 9% of low-income households in employment were in extreme problem debt, nearly doubling from 5% in 2014.

1.2. As our report for the TUC set out, the major contributors to the recent increase in over-indebtedness have been:

- Poor wage growth in real terms, with these still not having recovered to their pre-financial crisis levels;

- The continued casualisation of employment, with nearly one million people now on ‘zero hours’ contracts; and

- Rising levels of under-employment (i.e. people wishing to work longer hours but unable to obtain them).

1.3. In addition, a number of state benefit entitlements have been reduced, affecting low income households both in and out of work. There have also been changes to the

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1 Britain in the Red, TUC, 2016, can be downloaded from www.tuc.org.uk/sites/default/files/Britain-In-The-Red-2016.pdf

2 A brief review of the main benefit changes through to 2015 has been provided by the Institute for Fiscal Studies at http://www.ifs.org.uk/publications/7541
administration of many benefits, imposing greater ‘conditionality’ for claimants, which are creating severe problems (such as benefit sanctions and delays in payment)3.

1.4. Financial services could play a significant role in helping lower income households to deal with these pressures. Financial services are generally intended to assist households to manage their cash-flow; pay for goods and services safely and efficiently (for example, by facilitating on-line purchases), or provide insurance against common risks (including by providing income protection in the event of accident, sickness and unemployment). By providing credit, or conversely by helping households to build up savings and pensions, financial services markets can also help households to raise capital for investment (for example in their education, skills and housing) and provide for a decent standard of living in retirement.

1.5. However, financial services markets have struggled to deliver positive outcomes for low income households for a considerable time. Although financial exclusion – whereby lower income households are not engaged by, or do not benefit from, mainstream financial services – has been a policy concern for nearly twenty years, significant challenges remain.

1.6. As has been recently reported4:

- Around one quarter of working age adults do not have any savings and a further 29% have less than £1,000 saved. Those households without any savings are most likely to be on a low income;
- Nearly two million adults in the UK do not have a bank account;
- 50% of households in the bottom half of the income distribution do not have home contents insurance; and

1.7. Far too many low income households also have little choice but to turn to high cost log book, payday, and door to door money lenders, or to rent to own stores, to meet their credit needs. Many of the business models lying behind these products have been predatory – using the fact that household budgets are extremely stretched to trap people in a constant cycle of high cost borrowing.

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3 These include increased use of benefit sanctions (see http://www.welfareconditionality.ac.uk/ for further details) and delays in the conduct of Work Capability Assessments for Employment Support Allowance and subsequent review processes: http://www.publications.parliament.uk/pa/cm201516/cmselect/cmwork/en/372/37207.htm

4 The figures concerning savings are taken from ‘Closing the savings gap’, Money Advice Service, 2016. All other figures are from the Financial Inclusion Commission, see http://www.financialinclusioncommission.org.uk/news/18
1.8. Even where some low income consumers have gained access to mainstream products, they have often found these to be unsuitable for their needs. For example, the mainstay of the UK’s payments system - Direct Debit payments - does not cater for the volatility of income and expenditure which many low income households now routinely experience. As a consequence, low income consumers are often hit with additional fees and charges at the very time that they are under the greatest financial pressure.

1.9. Whilst regulators have taken action to address some of the most predatory business models (most notably by capping the cost of payday loans and limiting the maximum number of times that these can be refinanced or ‘rolled over’), there remain considerable obstacles to be overcome if financial services markets are to deliver positive outcomes for lower income groups.

1.10. Further consumer protections are undoubtedly needed. For example, the debt advice agency StepChange has recently called for the Financial Conduct Authority to cap unauthorised overdraft charges, and Citizens Advice has called for a cap on the total cost of rent to own agreements. We support both of those calls. However, increased consumer protections are not a ‘silver bullet’. It is equally important for the design of financial products to be improved so that these better reflect the realities of people’s lives, and for advice and support to be provided so that people have the skills, confidence and motivation to use financial products effectively.

1.11. In our view, the financial services sector needs to adopt a clear objective of helping low income households lead financially healthy lives. As the Center for Financial Services Innovation in the U.S, which has led the development of financial health as a concept, puts it:

> “Financial health is when your daily financial system helps you build resilience and take advantage of opportunities. Just as people who eat balanced diets and have good health insurance today are more likely to avoid disease and be more physically active later in life, people with good saving habits and access to affordable credit today are more likely to avoid bankruptcy, handle unexpected expenses and be prepared for retirement.”

1.12. Here in the UK, the ambition to ensure that people lead financially healthy lives has been adopted by the independent Financial Inclusion Commission, which is seeking to create:

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5 Direct Debits provide for the automatic payment of bills from bank accounts on a specific day of the month, but people often get into difficulties when income is delayed and there is insufficient time to notify the bank of the need to cancel the debit.


7 Further details of the Financial Inclusion Commission can be found at: http://www.financialinclusioncommission.org.uk/about
"...a financially inclusive United Kingdom in which every adult and child can enjoy decent financial health. We want financial services that are accessible, easy to use and meet people’s needs over their lifetime. We want people to have the skills and motivation to use financial services, and to benefit meaningfully from them."

1.13. The concept of financial health therefore incorporates ambitions to both improve the design of financial products so that these better meet the needs of consumers, as well as the financial capability agenda. The latter seeks to support people to improve their skills, knowledge and confidence to use financial services effectively, and to motivate them to adopt good financial behaviours which will benefit them in the long term.

1.14. Although the UK has no single statutory body responsible for improving the financial health of the nation, we do have a statutory agency – the Money Advice Service – which is currently responsible for financial capability, although it should be noted that the Budget in 2016 indicated that Government intends to abolish this agency and replace it with a smaller money guidance service from April 2018 onwards.

1.15. The latest Financial Capability Strategy, published by the Money Advice Service in October 2015, is focused on building levels of financial capability to ‘enable more people to navigate changes in their financial circumstances when they occur and help them to manage the money they do have’.

1.16. The Strategy, which is supported by the findings from the UK’s Financial Capability Survey, segments the population into six groups. These are (i) Children and Young People; (ii) Young Adults; (iii) Working-age people; (iv) People approaching retirement; (v) Older people in retirement, and (vi) People in financial difficulties. It then proceeds to set out priorities for these groups in respect of:

☐ Managing money well day to day;

☐ Preparing for and managing life-events; and

☐ Dealing with financial difficulties.

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8 It should, however, be noted that the Bankruptcy and Debt Advice (Scotland) Act, 2014, makes provisions for a ‘Financial Health Service’ for Scotland.

1.17. For example, the Strategy identifies that:

- Young adults may have problems transitioning to independent living and require support to budget well, use credit sensibly and need encouragement to save towards a pension; and

- Working-age people often struggle with volatile incomes, and many have existing problem debt. They also need help to build up financial resilience for the future by encouraging savings. The Strategy also sets out an ambition to work with employer groups and Universal Credit claimants to encourage people to make ‘active decisions about whether, and what type of, protection insurance is right for them’.

1.18. A number of specific ‘life events’ are also identified within the strategy, which give rise to the need for support. For example, declining health in later life requires people to plan for potential care costs. Whilst this, and other life events (such as the added cost of raising children) are reasonably predictable, others are not (e.g. the shock to income caused by the loss of a job) and require that households be encouraged to build up precautionary savings to help deal with these.

ABOUT THIS PROJECT

1.19. This project investigates how the financial health of low income households can be improved. It adopts a similar approach to that set out in the Financial Capability Strategy, which segments the population according to different life stages and events, but is focused exclusively on households in the lower half of the income distribution.

1.20. The report identifies specific lower income priority groups which should be the focus of future interventions, and also moves beyond concerns about the financial capability of households to include consideration of issues relating to product design. In particular, the report recommends that low income households be provided with greater flexibility over bill payments (for rent, Council Tax and utilities) in order to reduce the need for them to use credit.

1.21. The project has reviewed published research findings and existing practice to identify those money management problems and life events with the greatest impact on the financial health of low income households. It has then sought to draw out the key lessons for future service design and delivery to meet these. It recognises that ‘lower income households’ are not homogenous, and that sub-groups can have different financial services requirements, planning priorities, and support needs at different times. There are also differences in the financial
behaviours of households with similar demographic characteristics, which indicates that ‘attitudes and motivations’ are important.

1.22. The project has involved:

- A literature review, comprising over 60 relevant reports and academic papers – the majority of which have been published within the past five years;

- A ‘field review’ of projects providing financial health support to low income households. This comprised of initial, semi-structured, telephone interviews with 21 providers and follow-up site visits to six organisations. These follow-up visits yielded a further 17 interviews with staff involved in a variety of management and delivery roles;

- The conduct of four focus groups, with a total of 34 attendees, and a further 25 one to one interviews with other project beneficiaries.

1.23. Reporting on the findings from these activities, the remainder of this report is structured as follows:

- **Chapter two** sets out the findings from the literature review. This enabled us to segment the low income population further, particularly highlighting the importance of focusing on households with children and those containing someone with long-term ill-health problems or a disability. The literature review also highlighted the need for services to:
  - Adopt pro-active, partnership-based approaches to target those in greatest need;
  - Avoid stereotyping low income groups as ‘financially incompetent’;
  - Deliver in ways which address the individual barriers that people face, including by utilising a variety of delivery channels; and
  - Link people to appropriate and affordable financial services.

- **Chapter three** examines these ‘critical issues’ in more detail by reporting the findings from our field review, which obtained the perspectives of financial health support providers and the views of low income households themselves;

- **Chapter four** then looks at how services could improve the evaluation of the impact of their provision; and

- **Chapter five** provides our conclusions and recommendations.
2. LITERATURE REVIEW

2.1. It is generally recognised that many low income households are in poor financial health: unable to sustain a reasonable living standard; build up their resilience to income and expenditure shocks, or to use financial services in ways that help them attain longer term life goals. However, there is a need to establish a more detailed understanding of the particular problems that they face in these respects.

2.2. To aid in this endeavour, we reviewed over 60 sources of academic and grey literature, mainly published in the past five years, with a view to identify:

- The characteristics of low income households most likely to have problems, and the specific problems that these face;
- The main challenges in designing and delivering services to support those groups with the greatest problems; and
- Variations in the methodologies employed to assess the impact of interventions.

2.3. This chapter now reports on the findings from the review in respect of each of the first two of these in turn, and we return to evaluation methods in chapter four.

WHICH LOW INCOME GROUPS ARE MOST LIKELY TO EXPERIENCE PROBLEMS AND WHICH PROBLEMS DO THEY FACE?

2.4. To identify the characteristics of low income households most likely to have poor financial health we first looked at the results from the UK’s Financial Capability Survey. This contains questions to capture the self-reported behaviours of respondents in respect of three ‘behavioural domains’ (how well people manage their money on a day to day basis; prepare for and manage life events, and deal with financial difficulties), and across the following five ‘Financial Capability Factors’:

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10 The Financial Capability Survey was commissioned by the Money Advice Service, took place between April and July 2015, and was conducted with a nationally representative sample of over 5,600 adults across the UK. The survey was mainly conducted on-line, but around one quarter of responses were obtained from face to face interviews in order to ensure that lighter users, and non-users, of the internet were included. The Money Advice Service published a report detailing the findings in November 2015.
Skills and knowledge: questions are asked about respondents’ ability to accurately read a bank balance; understand the role of inflation in eroding buying power, and calculate interest on savings;

Attitudes to the future: respondents are asked whether they prefer to ‘live for today’ or ‘plan for the future’ and how important it is to save for a ‘rainy day’ and for retirement;

Confidence and self-efficacy: respondents are asked to rate their own confidence in managing their finances, how anxious they are about their financial situation, and how far they believe they can make a difference to this;

Taking responsibility: respondents are asked how important it is to keep track of income and expenditure, and shop around to make money go further. They are also asked whether they are likely to shop on impulse, be too busy to sort out their finances, discuss money issues with other people, or adjust their non-essential spending when life changes; and

Ease and Accessibility: respondents are asked to rank their confidence to make financial decisions, whether they have accessed the internet within the past seven days, and whether or not they are ‘happy to bank on-line’.

2.5. The survey indicates that there is considerable consistency concerning the groups with lower scores across the behavioural domains and the financial capability factors, and also provides an indication of the types of problems these face. Reporting on the findings, the Money Advice Service highlights the needs of:

Recipients of benefits due to be replaced by Universal Credit\(^1\), and particularly people who are unemployed. A high proportion of this group is struggling to keep up with bills and commitments and the transition to Universal Credit poses additional challenges, with benefits being paid in arrears and the ending of direct payments for social housing costs to landlords. This group is also less likely to have savings, and has lower access to the internet, than the general population;

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\(^1\) These are Income-based Jobseeker’s Allowance, Income-Related Employment and Support Allowance, Income Support, Child Tax Credit, Working Tax Credit, and Housing Benefit.
Social and private housing tenants: social housing tenants are less likely to savings and more likely than the general population to have lower skills and knowledge, lower access to the internet, and less confidence in financial products. Private tenants are more likely to ‘live for today’ and use credit, and disregard the need for savings;

BME groups reported problems managing their money on a day to day basis, but were also more likely to have financial goals. However, the survey acknowledges that further work is necessary to identify specific BME populations where work is a priority;

Young adults (aged 18 -24): with interventions needed to address a lack of confidence managing their money and budgeting, and making financial decisions. Interventions may also be needed to encourage them to ‘shop around’ and build on their greater use of the internet; and

Older people in retirement: whilst this group generally has fewer problems managing their money than other groups, poorer pensioners scored less well. They also use the internet less and are less willing to discuss financial issues openly.

2.6. Whilst a useful starting point, the groups identified by the Financial Capability Survey are quite broad. We therefore investigated the literature to identify the specific events which affect financial health of lower income households, and which could help to further segment these. In so doing, we identified a number cross-cutting events which have significant implications for financial health across all of the groups, as well as a number of issues specific to each of them.

CROSS-CUTTING EVENTS

2.7. There is a substantial literature concerning the short-term events which create financial pressure points in the lives of low income households. A previous literature review undertaken by the Centre for Responsible Credit concerning the use of credit in these households identifies that this is often driven by reasonably predictable events including:

12 In addition to these groups, there is a long standing recognition of the needs of offenders for financial health support. This has led to a wide range of initiatives focused on this group, including projects in prison and community settings, and a best practice review was conducted by CRESR in 2010. For this reason, we have elected not to include offenders within the scope of this report.

13 The review drew on the findings of 12 studies undertaken between 1995 and 2010. See Table 1, p.10, Gibbons et al (2011). ‘Can consumer credit be affordable to low income households?’
The cost of Christmas and the need to purchase birthday presents for children and other family members;

The need to purchase and replace essential household goods, including basic appliances and furniture;

The cost of school uniforms, educational trips and social activities for children;

The additional costs of feeding children during school holiday periods, and

The cost of keeping homes warm in winter, particularly amongst younger households and those including children or someone with a long-term illness or disability.

Using credit, and often high cost credit, to meet these needs then results in households having to cut back on other areas of their budget in order to maintain the repayments. These cut backs often affect the quality of diets or result in the rationing of fuel use, with long-term negative implications for physical and mental health. However, even after cutting back on these items of expenditure, some households are unable to maintain their financial commitments and fall into arrears with bill payments in respect of rent, Council Tax, and utilities.

THE IMPACT OF CHILDREN

As can be seen from the above, much credit use is related to low income households attempting to meet the needs of their children. Having children not only creates an additional financial burden, but also limits earnings potential because it affects parental, and mainly maternal, employment opportunities (Hirsch, 2014).

Employment opportunities are especially constrained for lone parents and for households without extended family or other support networks. For these households, the availability of affordable, good quality childcare services is essential. However, recent years have seen the cost of childcare outstrip the growth in wages, with Rutter (2015) reporting that the cost of sending a toddler to nursery part-time has risen by around one third over the past five years.

Given these pressures, it is unsurprising that the literature reports that households containing children are at a greater risk of over-indebtedness than those without (Bryan et al, 2010; Money Advice Service, 2016).

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2.12. Further to this, even when mothers return to the labour market there is a lack of good quality part-time jobs available to them (HM Treasury, 2007). This can have long-term implications for their financial health, with Foster (2012) identifying that there is a concentration of female employment in low paid, part-time employment offering either no or poor occupational pension schemes. In previous generations this was mitigated by male partners providing support for a ‘joint retirement’. However, the increased prevalence of relationship breakdown and divorce in recent years leaves many women vulnerable to poverty in old age.

2.13. The availability and design of pension provision is important here, with Foster (2013) noting that there has been a shift away from Defined Benefit schemes to those with Defined Contributions. This has resulted in a transfer of risk from pension providers to the individual:

“[In the case of] Defined Benefit pensions, financial and longevity risks are borne by the scheme sponsor as pensions are usually based on a formula linked to members’ wages and length of employment, while benefits from Defined Contribution schemes are a function of the amount contributed by the member and sponsor and any return on that investment, with no guarantee concerning the level of their future pensions. The move towards Defined Contribution schemes represents a change from a more buffered system to an individualised exposure to financial market risks.”

2.14. This has significant repercussions for low paid women both because investment returns on pension savings are falling and because breaks in employment due to childcare responsibilities have a greater impact on pension benefits in Defined Contribution than in Defined Benefit schemes, which are not as closely related to the contribution record. In addition, auto-enrolment in occupational pension schemes, which has been phased in since 2012, does not extend to people with incomes below £10,000 per year and there is no contribution protection in place for people leaving work to look after young children.

THE IMPACT OF LONG-TERM ILL HEALTH AND DISABILITY

2.15. This same combination of higher living costs and disadvantage within the labour market leading to poor financial health outcomes is apparent with regard to households containing someone (including children) with a long-term illness or disability.
2.16. In these households the constraint on employment often extends beyond the person with the illness or disability to other family members who take on caring responsibilities. Again, these households are at a high risk of over-indebtedness (Gibbons & Vaid, 2015), and McKnight’s (2014) analysis of longitudinal data\textsuperscript{15} finds that disabled people are less likely to have saved in the past 12 months compared to non-disabled households and also (p.43) carry a much higher risk of poverty in retirement:

“Disabled people enter retirement with considerably lower private pension wealth than non-disabled people. In the 55-64 age group the gap in the mean level of private pension wealth is £125,000 and the gap at the median is £75,000. This signals the likelihood of lower income and greater dependency on cash transfers during retirement.”

2.17. The longer term implications of ill-health and disability on financial health outcomes are not currently being addressed by most income protection policies, which do not protect the pension contributions of claimants or compensate them for the loss of employer contributions. In addition, some policies only make payments for a defined, and sometimes limited, period.

SPECIFIC ISSUES RELATING TO THE LOW INCOME GROUPS

2.18. In addition to the above, there are a number of events which are specific to the groups identified as priorities by the Financial Capability Survey. We now provide further details in respect of these in turn.

RECIPIENTS OF BENEFITS DUE TO BE REPLACED BY UNIVERSAL CREDIT, AND THE UNEMPLOYED

2.19. For many benefit recipients there is a low pay/ no pay cycle from which it is hard to break free. Thompson’s (2015) analysis of the British Household Panel Survey reveals that one in five workers in the UK are low paid and that more than one third of these (i.e. around 7.6 percent of all workers) experienced a spell of worklessness over a four year period. Episodes of worklessness are most common amongst low paid workers on temporary contracts and those with childcare commitments, long-term limiting health conditions or disabilities, as well

\textsuperscript{15} Based on analysis of longitudinal data from the British Household Survey and Wealth and Assets Survey
as those with a lack of access to training opportunities (Shildrick et al, 2010). For people in these groups, a return to work often simply means a return to the same types of low paid and insecure employment as previously.

2.20. Both Collard et al (2012) and Banks et al (2013) evidence the impact of this cycle on financial health, noting how income volatility creates major cash flow problems, often leading to problems with Direct Debits and unauthorised overdraft fees, and increasing the likelihood of high cost credit use. Again, it should be noted that income protection policies are unlikely to be of use to many of these households because there are exclusions in most policies for people on temporary or fixed term employment contracts, or for people with pre-existing health conditions.

2.21. Changes to eligibility rules and in the administration of benefits also give rise to additional support needs (Gibbons & Foster, 2014), which people may be poorly equipped to manage. For example, Citizens Advice (2013) reported that around half of its clients will be affected by the introduction of Universal Credit, which introduces single household payments, the need to manage claims on-line, and payment of benefits monthly in arrears. For social housing tenants, the housing cost element of Universal Credit will no longer be paid directly to the landlord, but will be paid to the tenant who will then become responsible for managing their own rent payments.

2.22. Regarding the long-term unemployed, there is a long standing literature (for example, Ford, 1991) detailing deep and intractable debt problems. In recent years, Orton’s (2010) report of a three year longitudinal study of the finances of fifty three very low income households yielded the ‘depressingly familiar finding’ that low income prevented people from escaping from indebtedness:

“…even when people had rejected credit use and were committed to careful budgeting, insufficient income meant they still faced a dilemma of how to meet basic and specific needs. There remained no examples of interviewees having savings, and half the sample had borrowed money between years 2 and 3 of the research”.

2.23. For many low income households debt problems also become a barrier to employment (Gibbons, 2010) by distracting people from jobsearch and constraining their ability to undertake it effectively – for example, because they have to spend more time shopping around in order to stretch their budgets further and have intermittent mobile phone connections. Problems of persistent financial hardship have also been linked to an increased incidence of mental health problems (Fitch et al, 2009), which in turn make it more difficult for people to find work.
2.24. The stress of living on a very low income for long periods of time also makes it difficult for people to sustain the mental energy required to change financial behaviours (Banks et al, 2013). Indeed, recent evidence indicates that it may also reduce cognitive functioning such that financial decision making is impaired (Mullainathan & Shafir, 2013, cited in Money Advice Service, 2015).

2.25. Finally, Gibbons (2010) also identifies that debt problems can create a disincentive to take up work, as debtors can fear that any income gains from employment will have to be surrendered to repay existing debts.

SOCIAL HOUSING TENANTS

2.26. There has been considerable funding directed towards improving the financial health of social housing tenants in recent years. Most notably, the BIG Lottery is investing £31.7 million in 37 projects which target social housing tenants across England through its ‘Improving Financial Confidence’ programme.

2.27. The focus on social housing tenants is supported by evidence that these make up approximately 60 percent of the financially excluded population (National Housing Federation, 2014). Some 14 percent of social housing tenants do not have a transactional bank account, and five percent do not have an account of any kind.

2.28. In addition, welfare benefit changes, including the transition to Universal Credit, are likely to impact greatly on social housing tenants due to the concentration of low income, benefit recipient, households in this sector.

2.29. Indeed, a number of benefit changes have been brought in that are specifically directed at social housing tenants. The most notable of these have been the introduction of the ‘bedroom tax’, and, as part of the Universal Credit payment arrangements, the ending of housing benefit payments direct to social landlords.

2.30. All of the findings relating to households with children, people with long-term health difficulties or disabilities, and benefit recipients therefore have relevance to social housing tenants, and in order to reduce the risk of an escalation in rent arrears amongst this group, activities have particularly focused on:
Identifying tenants who are slipping into rent arrears at an early stage;

Supporting new tenants, particularly younger tenants who have moved into their first home; and

Helping people who are moving in and out of work on a regular basis.

2.31. In addition to financial capability initiatives targeted to these groups, there have also been a number of attempts to provide affordable financial products to social housing tenants, including low cost home insurance and credit.

PRIVATE HOUSING TENANTS

2.32. Although also identified as a priority group by the Financial Capability Survey, there has been much less focus on the financial health needs of private tenants compared to those in social housing. Nevertheless, the literature (notably Whyley et al, 2013) does identify a number of key issues for this group:

- Around one in ten private tenants have no transactional bank account, and the proportion of unbanked private tenants is highest amongst those on the lowest incomes, without formal qualifications, unable to work due to illness or disability, and in receipt of income-related benefits;

- Nearly 60 percent of private tenants have no contents insurance and no savings account;

- Financially excluded private tenants often live in very poor quality housing, and struggle to get their landlords to carry out repairs or invest in energy efficiency measures;

- They also face repeated moving costs due to the short-term nature of their tenancies, and are at risk of rents being increased and having to meet estate agent fees on a regular basis; and

- For people moving into unfurnished accommodation, there is a need to fund the purchase of essential items.

2.33. Low income private renters have also been found to be struggling in the face of increasing rents and reductions in the level of assistance with housing costs from the welfare system. For
example, a survey of 1,000 private tenants by Generation Rent in 2014 found that two in five had cut back on heating whilst a third had ‘skimped on food’ due to financial pressures.\textsuperscript{16}

2.34. The numbers of people in private tenancies with these types of financial health problems are set to increase, as social housing is considerably over-subscribed, and local authorities increasingly turn to the sector to house people who present as homeless. To facilitate the use of the private sector for people who have not been able to save for a deposit or rent in advance, many local authorities have established rent deposit, bond and guarantee schemes,\textsuperscript{17} and in some areas floating support services, previously targeted at social housing tenants only, are now being made available to private tenants\textsuperscript{18} to offer support with budgeting and debt advice.

2.35. There are also some moves (Gibbons, 2015, p. 45) to establish a ‘private sector landlords charter’, setting out commitments from landlords that they will ensure homes are of a decent standard and that they will be supportive to tenants experiencing financial difficulties – for example by providing information about where to get help with the cost of raising deposits, furnishing and insulating homes, debt advice and credit union services.

BLACK AND MINORITY ETHNIC COMMUNITIES

2.36. Although the Financial Capability Survey identifies that BME households are disproportionately more likely to have low capability scores, there needs to be a more refined understanding of the specific groups that are most affected and the ‘touch points’ that services have with events in their lives which give rise to the need for support. Reviewing the literature in these respects, we particularly identified:

\checkmark Problems for new arrivals in the UK. Destitution amongst asylum seekers is a huge problem, as they have just £35 per week to live on. However, even after gaining refugee status new arrivals need support with a host of issues, including housing, employment, and access to bank accounts and other financial services. People in this position may not have the relevant identity documents or be confident in supplying them, and may face language and cultural barriers which make the application processes for financial services difficult to navigate;

\textsuperscript{16} ‘Tenants paying high rent have to cut back on food and heating, poll reveals’. Hilary Osborne, 26th March 2014, The Guardian.

\textsuperscript{17} For an overview of these schemes see http://england.shelter.org.uk/get_advice/private_renting/costs_of_renting/rent_deposit_and_bond_schemes

\textsuperscript{18} For example, the ‘Supporting Tenants and Residents’ service in Leicester is open to both social housing and private tenants as is the Bridge Project in Loughborough.
Migrant workers are more likely to be concentrated in low paid, temporary work, and in private rented accommodation (Datta, 2009; Gibbs, 2010). They often work long hours, which means they are unable to access support services, and many also have a need to send money to families in their countries of origin. Many also have difficulty obtaining access to affordable credit due to a lack of credit history in the UK.

Some BME groups (Khan, 2008; 2010) are likely to be over-represented in low paid self-employment or low income jobs with very volatile earnings. This is especially true for Bangladeshi and Pakistani workers, who are concentrated in low paid employment the catering sector and who often work as taxi drivers. Given that BME groups are more likely to be in receipt of a low income than white households, they are also disproportionately less likely to have savings.

2.37. As indicated by the Money Advice Service, considerable further research is required into the specific financial health issues within different BME communities, and a comprehensive assessment is beyond the scope of this study. We have therefore focused our attention on the issues relating to new arrivals and migrant workers, and included organisations meeting the financial support needs of these two groups within our field review.

YOUNGER ADULTS

2.38. Research has shown that the transition to adulthood is no longer as ‘sequential’ as it may have been for previous generations (see, for example, Morrow & Richards, 1996). The traditional route to adulthood of leaving school, obtaining work, forming relationships and setting up home prior to entering parenthood is no longer, necessarily, the norm. Young people may become adult in one or more of these aspects but not in others, and there is a trend for young people to continue to live with their parents and stay in education for longer than was previously the case.

2.39. However, parental support is not always available, and it is particularly less likely to be provided to children brought up in households in poverty or who have been brought up in local authority care. Young people from these backgrounds are likely to have had fewer opportunities to manage money independently as children (Stein, 2006), and struggle to support themselves when transitioning to independent living (Fauth et al, 2012).

2.40. The need for financial health support is particularly apparent for young people leaving local authority care. Wider welfare outcomes for this group are frequently poor. For example,
Barnardo’s report\(^1\) that care leavers have a significantly lower academic achievement; are more likely to be unemployed, become homeless, and to spend time in prison than their peers. One in seven of all young women leaving care is pregnant, or has already had a child, at the time they do so.

2.41. In recognition of the importance of providing advice and support to help address these problems, the Children (Leaving Care) Act 2000 requires local authorities to ‘pathway plans’ for all care leavers up to the age of 25 which set out how they will be provided support on issues including housing options, financial capability, education, training and employment, and health and well-being.

2.42. Particular emphasis has also been placed on supporting young people who are Not in Employment, Education or Training (‘NEET’). People in this group (FSA, 2006) often lack the knowledge and understanding to open bank accounts; do not know where or how to access emergency funds, and lack knowledge and experience of paying households bills. Interventions have included the training of Youth Workers to improve their confidence in delivering financial capability interventions, and the recruitment and training of ‘Money Skills Champions’ from within the NEET group itself.

2.43. Finally, the increased use of loan finance to fund education means that many young people are incurring significant debts before entering employment:

- According to Which\(^2\), a typical student undertaking a three year degree at a university outside of London can expect to graduate with between £35,000 and £40,000 of debt. Repayments are currently set at nine percent of all earnings above £21,000;

- From August this year, loan financing for tuition costs has also been extended to Further Education, with Advanced Learner Loans available to young people aged 19 or over who are undertaking ‘A level’ or graduate certificate courses. Again, repayments are set at nine percent of all earnings above £21,000 once the young person moves into employment. However, support for living costs is largely discretionary and dependent on the specific training or course provider.

2.44. To some extent the loan financing arrangements for education remain positive compared to other areas of the credit market. In particular, student loans do not involve any element of

\(^1\) [http://www.barnardos.org.uk/what_we_do/our_projects/leaving_care.htm](http://www.barnardos.org.uk/what_we_do/our_projects/leaving_care.htm)

risk based pricing (everyone pays the same interest rate regardless of their different likelihoods of finding employment), and there are clearly defined earnings thresholds before repayment is required. Nevertheless, the use of credit to fund education is likely to have long term repercussions. For example, graduating with a high level of student debt is likely to affect other life decisions including choices about career paths and when to start saving for retirement.

OLDER PEOPLE IN RETIREMENT

2.45. According to ILC-UK\(^1\), there are 1.6 million older people living in poverty, and despite the fact that pensioners are generally more likely to have good financial management skills and be credit averse, many of those on lower incomes require advice on managing their money as well as help to deal with outstanding debts. The literature (notably Corden & Hirst, 2013) also identifies a number of specific events which can impact on the financial health of older people:

- Increased longevity means that dementia becomes more likely, and managing money more difficult;

- Longevity also gives rise to physical health problems, with poorer pensioners often struggling to maintain healthy diets and warm homes. It can also result in the need for care, which often requires people to engage with the benefits system and claim disability benefits to meet the cost of this. Accessing this support can be difficult because of the complexity of the administration associated with these benefits, and there is also a stigma associated with benefit claims by some older people (Van Oorschott, 1991);

- Rising numbers of older people are divorcing, which forces them to make financial decisions, particularly in respect of housing, that they had not planned for;

- The death of a spouse has a direct financial impact on household income, but this is disproportionately greater for women who have lost their husbands in retirement, who often lose access to their husband’s occupational pensions at this time;

- Bereavement also incurs the cost of funeral arrangements, and can require people to adopt financial management roles and responsibilities for which they are not prepared.

2.46. Further to these events, ILC-UK note that financial literacy and numeracy scores are lower amongst older households, and that older people are also more likely to be digitally excluded, and

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\(^{1}\) [http://blog.ilcuk.org.uk/2016/01/11/financial-education-why-older-people/]
therefore disproportionately impacted by bank branch closures. This is not just a question of skills, and access, but also one of trust, particularly when it comes to making on-line payments.

2.47. Finally, because Government has now introduced greater flexibility over the use of occupational and private pension pots, this means that decisions over what to do with any pot will no longer be a one-off decision made at the point of retirement but will require older people to take a more active approach: ‘altering and adapting their financial planning strategies throughout retirement including well into later life’ (ILC-UK, 2016).

THE MAIN CHALLENGES IN DESIGNING AND DELIVERING SUPPORT

2.48. In this section we now proceed to identify the main challenges in designing and delivering support to the priority groups. We summarise these as the need for services to:

- Adopt pro-active, partnership-based approaches;
- Use effective engagement strategies;
- Deliver using a variety of face to face, digital and telephone channels;
- Tailor provision to the specific groups that are being targeted; and
- Link up financial capability support to appropriate and affordable financial products.

THE NEED FOR PRO-ACTIVE, PARTNERSHIP-BASED APPROACHES

2.49. The support needs of low income households are extremely varied, and people face a number of barriers to accessing provision. Gibbons & Foster (2014) categorise these as:

- **Individual barriers** specific to the person seeking support: for example, as a result of a health (including mental health) condition or disability; caring commitments, confidence or self-esteem; or lack of English language skills;
Structural barriers: for example the complexity of access arrangements; bureaucratic procedures governing referral; inappropriate channels of delivery; or a lack of provision generally which gives rise to long waiting times; and

Cultural barriers: for example the lack of familiarity with, and trust in providers.

2.50. In attempting to address these three types of barrier, a complex landscape of provision has evolved. Some services are focused on specific client groups, (such as BME communities, younger adults, or older people), whilst others have focused on ‘advice issues’, such as debt, or benefits advice. Others still, provide advice on a range of issues but their provision is built around serving local communities (e.g. Citizens Advice Bureaux) rather than specific client groups.

2.51. Because this landscape can be hard to navigate, the literature particularly highlights the need for pro-active, partnership approaches. These partnerships need to both (i) identify those lower income households who are experiencing a need for financial health support and (ii) deliver this to them in ways which are appropriate and which have long-term benefits. For example, following a meta study of over 200 financial capability projects, Fernandes et al, (2014) reported that general financial education programmes were not very effective in changing long term behaviours and that more focus should be placed on intervening ‘just in time’, such as following important ‘life events’.

2.52. There is much that can be learnt from the recent partnerships established by the Department for Work and Pensions (‘DWP’) to help unemployed claimants transition to Universal Credit. These Universal Support delivering locally (‘USdl’) partnerships, which were informed by previous local trials, aim to provide both digital and personal budgeting support for claimants. For those who are experiencing financial difficulties DWP will also consider putting in place alternative payment arrangements (such as direct payment of housing costs to landlords) on a temporary basis whilst this support is delivered.

2.53 According to a survey of local authorities conducted by NatCen Social Research, two-thirds of local authorities had formal agreements in place with DWP as at last autumn. Unfortunately the research did not identify the level of funding attached to these agreements. Our own desk based research indicates that this is low. For example, in Hounslow, the

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Findings from the Local Authority Insight Survey Wave 31: Discretionary Housing Payments, Temporary Accommodation and Universal Support delivered locally. Department for Work and Pensions, May 2016

London Borough of Hounslow, Cabinet Member Decision, 27th January 2016; Revision to Universal Credit Delivery Partnership Agreement, Public Reports Pack
agreement indicates that £9,000 has been allocated to provide on-line support for 600 people (just £15 per person) and a further £30,700 has been allocated for personal budgeting support for 840 people (£36.54 per person).

2.54. The partnership agreements indicate that Jobcentre Plus Work Coaches will identify people who need support and refer these to local authorities, which are either providing assistance in-house, or in some cases have contracted provision from external agencies. These include libraries which offer supported access to IT and, in the case of personal budgeting support, to Citizens Advice. In a number of areas, there have also been moves to co-locate digital and personal budgeting support services with Jobcentre Plus in order to better facilitate referrals.

2.55. The benefits of co-location have been identified in the recent evaluation of the USdl trials led by Learning and Work Institute25, which noted that (p.18):

| “Co-location of support services within single ‘hubs’ often led to more streamlined access to support; better communication and sharing of information between teams, and more effective resolution of issues…” |

2.56. The evaluation also highlighted:

✓ Where claimants have complex needs and are experiencing multiple problems there is a need for partners to establish integrated case management procedures. These should enable services to share information about the actions being taken in respect of an individual across organisational boundaries. However, this requires investment both to develop the required data sharing protocols and for the necessary IT infrastructure to be put in place. In addition, there are concerns about privacy and data protection issues need to be considered when developing data sharing arrangements;

✓ Where claimants have complex needs and are experiencing multiple problems, an integrated case management approach which provides for services to share information about the actions being taken in respect of an individual across organisational boundaries. However, this requires investment both to develop the required data sharing protocols and for the necessary IT infrastructure to be put in place. In addition, there are concerns about privacy and data protection issues need to be considered when developing data sharing arrangements;

The need to ensure that people have access to digital support. The USdl trials offered a combination of 'structured support' through specialist providers and more 'free-flow support such as walk-in centres with public computers and an adviser on hand'. Claimants reported that the skills of advisers were critical, and some also expressed a preference for small group sessions.

2.57. These findings are applicable to wide range of partnerships designed to meet the financial support needs of low income priority groups. For example, Mc Quaid & Edgell (2010) note that there is the potential for organisations such as housing associations, health care providers, and mental health professionals to develop signposting and referral arrangements to sources of financial support, or bring in those sources of support to their own locations to enable easier access.

2.58. The effectiveness of any signposting and referral procedure is heavily reliant on having an informed and confident 'front-line'. There are lessons to be learnt from projects such as the national CAB ‘Now Let’s Talk Money Small Projects Fund’ in this respect. This provided training to front-line workers from 326 different voluntary and statutory organisations and allowed local ‘financial capability forums’ comprising front-line workers to determine their own priorities for training. For example, the Cornwall and Devon forum focussed delivery to organisations working with adults with mental health issues and learning disabilities, due to an identified gap in provision for these people.

2.59. Even where services elect to co-locate or provide services using drop-ins at local community centres used by specific groups (Williams & Simpson, 2015) there remains the need to consider those people who have not used those venues previously, and who may find approaching unknown centres daunting and need further support to do so.

2.60. Through joint working, there is also the potential to mandate people to attend services offering financial health support. For example, Gibbons (2015b, p.62) notes that some local authorities have made receipt of financial assistance from their local welfare schemes conditional by requiring applicants to agree to take up wider support with their underlying problems.

26 These replaced the former Discretionary Social Fund system of assistance, which provided Community Care Grants and Crisis Loans, in April 2013.
THE PROBLEM OF ENGAGEMENT

2.61. Despite the emergence of partnership approaches, engaging those with the greatest needs remains difficult, and many people do not do so until a crisis point has been reached. For example, lower than expected levels of take-up led the BIG Lottery to relax its original eligibility criteria for social housing tenants to participate in its Improving Financial Confidence programme in 2014.

2.62. The stigma associated with the take-up of services, particularly with regard to older people, and the threat of stereotyping, are both important here. Many low income households are very careful money managers, and messages that they are somehow financially incompetent are likely to dissuade them from taking up provision (Orton 2010). This is even more likely when the support is offered by someone perceived to be from a wealthier or more advantaged group (Hall, 2012).

2.63. There is also a need to ensure that support is offered by trusted agencies. For example, Collard et al (2012b) found that, despite intensive promotion activity, social housing tenants were reluctant to engage with their landlords concerning financial issues because of the perceived over-riding interest of the landlord in collecting the rent.

2.64. Similarly, Gibbs (2010) reports that people from BME communities are more likely to trust an offer of support if the adviser is from their own community and speaks in their main language.

2.65. In this respect, peer groups are important. The Money Mentors programme in Tower Hamlets provides financial capability training to prominent members of trusted community organisations who then, in turn, become ‘advocates’ for the programme. This has worked well, as the mentors receive ongoing support which enables them to identify, and refer, people in their communities who would genuinely benefit from participation in the project. (Williams & Simpson, 2015).

2.66. The issue of trust is a clear barrier to engagement for low income young adults who have had difficult upbringings. Specialist agencies have been created as a result, and there is now a wide network of Youth Information, Advice, Counselling and Support services (YIACS), which provide a universal access point to support with:

- Social welfare law issues (particularly, benefits, housing, debt, and employment);
- Mental and emotional health issues e.g. depression, low self-esteem, self-harm, family problems and stress;
Wider personal and health issues e.g. relationships, sexual health, drugs and alcohol, healthy eating;

Practical issues e.g. careers, money management, independent living skills.

2.67. However, recent years have also seen cuts in funding for YIACS and this has led to a series of mergers. The umbrella body for these services, Youth Access, has reported (2013) that the proportion of services receiving funding from their local authority has fallen, and that providers have depleted their reserves and are increasingly reliant upon volunteers to support delivery.

2.68. Funding cuts have also considerably reduced the support that is available to refugees, with the closure of all local Refugee Integration and Employment Services from 2011 onwards (Gibbons & Foster, 2014).

CHANNELS OF DELIVERY

2.69. Our review highlighted that there is no single channel of delivery which meets the needs of all low income priority groups. For example:

- Face to face provision is often appreciated by older people, but many low paid workers and people with caring commitments, do not have the time available to make use of this (Gibbs, 2010). Disabled people can also find physically accessing face to face support difficult (IPSOS MORI, 2013) both because of problems with transport and getting into buildings. Transport cost as well as the lack of public transport links are also apparent as a barrier to access for people living in rural communities;

- Digital support may provide a better solution for people who are time constrained, but this is highly contingent on people having access and the skills and motivation to obtain support in this way (Ellison & Whyley, 2010);

- Pearson & Davis (2002) suggest that telephone advice may offer advantages to those who live in rural areas; have mobility issues; are time constrained; with caring responsibilities, and without private transport. However, Balmer et al (2012) point out that phone based services are not appropriate for clients who find it difficult to communicate their advice needs; those who may find it difficult to access a telephone in private, or for whom operating hours are not suitable.
TAILORING PROVISION

2.70. Because the design of services can be unknowingly unattractive to low income groups it is important to engage them in that process and to tailor provision to meet their needs (Hall, 2012). A good example of this is the design of the Citizens Curriculum by Learning and Work Institute, which has recently been piloted in 13 locations, and which includes modules covering financial capability and numeracy.

2.71. Other examples in the literature (notably those identified by Gilbertson & Pearson, 2011) included:

- Making a game to test young people’s budgeting skills;
- Incorporating budgeting skills into different sessions such as ‘cooking on a budget’; and
- Assessing whether one to one or group delivery would best suit individuals.

2.72. Further to these, programmes which used group methods were found to work well when people with similar needs were brought together and support provision could be actively adapted to help participants with their barriers. For example, Williams & Simpson (2015) report the experience of delivering financial health support to a group of partially sighted people, and the importance of building the programme around their needs and learning preferences.

2.73. However, Gibbons & Foster (2014) note that people in poverty often have limited social networks and that broader groups could sometimes be beneficial as a means of expanding these.

IMPROVING ACCESS TO AFFORDABLE FINANCIAL PRODUCTS

2.74. Improving access for low income households to appropriate and affordable financial products remains extremely challenging. For example, in 2010, the National Housing Federation, with support from the Government and RBS, established My Home Finance, a Community Development Finance Institution (‘CDFI’), to provide loans to social housing

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tenants from high street branches across the West Midlands. The intention was to scale up the service and to roll this out nationally. However, loan numbers did not expand as expected, and in 2014 it reported operating losses of more than £2.1 million. It was subsequently closed to new applicants, although the loan book has since been taken on by Street UK which has recently reported a considerable growth in lending.

2.75. In the absence of a national, not for profit, provider of small sum affordable credit for people on low incomes, individual partnerships between social landlords, and community finance providers (incorporating both credit unions and Responsible Finance providers) have been required. For example, Circle Housing has partnered with Leeds City Credit Union to offer all of its tenants, regardless of whether they live in Leeds or not, access to a current account, savings, and loan products.

2.76. Whilst welcoming these initiatives to increase credit union membership, the fact remains that the community finance sector is extremely small compared to that of the high cost short term credit commercial sector. Indeed, a recent review of affordable credit provision in Scotland (Carnegie Trust, 2016) comments:

“…to date [credit unions and CDFIs] have been unable to develop a viable, at scale offering, and are barely visible on non-mainstream charts of loan volumes or customer numbers.”

2.77. Initiatives to grow the sector tend to focus on improving back office technologies, forging links with employers and the mainstream financial services sector, bringing in ‘better off’ customers to subsidise the cost of servicing lower income, higher risk, groups, and attracting greater levels of social investment.

2.78. These are all significant challenges and priorities for action, but the fact that many low income households are already over-indebted and are using high cost lenders is largely overlooked. Transitioning these borrowers from the commercial high cost sector to the community finance sector should be an urgent priority, and will require funds to buy out existing debts (Gibbons, 2013).

28 Kate Murray, 22nd March 2016, The Guardian. ‘The My Home Finance loan scheme is in trouble, but tenants still need affordable finance’.
29 A social impact report has recently been published by Street UK. See https://www.street-uk.com/about-street-uk-loans/social-impact-report-2016
30 Responsible Finance is the new name for the Community Development Finance Association.
2.79. In addition, many low income consumers have impaired credit histories, or, for example, in the case of new arrivals and migrant workers in the UK, may not have any credit history at all. The potential role of Financial Technology ('FinTech') in utilising alternative datasets to improve the assessment of risk for these groups has been proposed, although previous CIRC research (Gibbons, 2016, para 4.5) has highlighted the need for a robust evaluation of both the pros and cons of this.

2.80. Similarly, FinTech also provides a number of possibilities to make budgeting tools available which draw on shared data concerning actual spending patterns, make financial capability more fun and engaging, and track changes in actual financial behaviours. However, commercial FinTech firms often have problems reaching the target markets, and there is a need to pro-actively support greater collaboration between the commercial FinTech sector, non-profits, and community finance organisations.

2.81. In addition, there may be intrinsic limits to the ability of traditional community finance provision to get to scale. In particular, localised services reliant on the intermediation between small sum depositors and small sum borrowers will inevitably take a long time to become financially sustainable.

2.82. It may therefore be better to create new, national, not for profit lending structures as these have the potential for more rapid expansion. In this respect, the development of Fair for You, which obtained its authorisation from the Financial Conduct Authority in November 2015, and which is able to offer small sum credit for the purchase of essential household items to any UK resident, is a big step in the right direction. The early evidence is that Fair for You is making a real difference to the lives of its customers, by providing an affordable alternative to the high cost rent to own sector (Gibbons & Nixon, 2016). However, it needs investment to be able to market itself nationally and to compete with the television and media campaigns of the commercial sector.

2.83. Other financial products are also needed, and it is to be welcomed that Government recently announced that it will launch a new matched contributions savings scheme ('Help to Save') for lower income households by 2018.

2.84. It is also welcome that the banking sector has recently agreed to provide fee free basic bank accounts, but more needs to be done to improve payment services for low income households. In this respect, Vocalink has recently highlighted the potential benefits of Request
to Pay\textsuperscript{31}: a new payments service which could be brought in to provide households with greater control over the timing of bill payments, alongside the ability to pay bills in ‘chunks’ of their choosing (within certain parameters set by the billing authority).

\textbf{2.85.} It also is apparent that even where low cost products are available, such as with home contents insurance, take-up remains limited: which reflects the fact that these are often seen as desirable ‘extras’ by households on extremely limited budgets. Similarly, income protection and pension products – although they could play a critical role – also suffer from poor take-up and may need to be redesigned to reflect the realities of living on a low income.

\textsuperscript{31} See https://www.vocalink.com/downloads-and-media/reports/inclusive-by-design/
3. FINDINGS FROM THE FIELD REVIEW

3.1. The findings from our literature review led to a focus for the rest of the project on low income households:

- Who are in low paid, and often temporary employment; or
- Are in receipt of out of work benefits; or
- Are either social or private housing tenants; or
- Are either refugees or migrant workers in the UK; or
- Are young people leaving care or in the NEET group; or
- Are older retired people.

3.2. We were also conscious of the need to consider the additional financial health issues arising in households containing children or someone with a long-term illness or disability across all of these groups.

3.3. We therefore conducted desk research to identify a ‘long list’ of over fifty live projects in the UK which were delivering financial health support to one or more of these groups and approached these for telephone interviews covering:

- The background to their services;
- Their approach to identifying people for engagement with their service;
- Any barriers to engagement and the steps they had taken to address these;
- Their experience of delivering support, and insights into what had worked well and what needed to be improved;
- Whether their service linked people to appropriate and affordable financial products and what more could be done to improve these; and
- How they were evaluating the impact of their services.
3.4. We were successful in completing interviews with 21 organisations, and from these we then selected six services for more detailed site visits. These site visits provided the opportunity to conduct follow-up interviews with staff employed in a variety of management and operational roles, and in four cases we also combined the visit with the running of a focus group with project beneficiaries.

3.5. The focus groups gathered the views of 34 beneficiaries, covering issues including:

- Their views as to what constituted ‘good financial health’ and the barriers and possible solutions to achieving this;
- What makes for a ‘good service’, including the times in their lives when they had needed support, what had prevented them from obtaining this and who they would like to have seen ‘reach out’ to them; and
- How services could engage them in helping to shape the support on offer and the design of financial products.

3.6. Finally, we also conducted a further 18 telephone interviews, lasting between 45 minutes and an hour, with social housing tenants. These were drawn from 796 people who had completed a national readers’ survey by ‘Quids In!’ magazine. These interviews involved a cross section of both users and non-users of financial support services. A further seven in-depth, one to one interviews were conducted with clients of Advising London. All of the one to one interviews sought views concerning:

- Their personal circumstances and their experience of day to day money management, financial planning, and how they dealt with unexpected changes to income and expenditure;
- How they located sources of support and their experience of using these (if they had);
- Their experience of financial products; and
- Their views on how support could be improved.

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32 These were the Race Equality Centre in Leicester; Islington CAB; Boston Mayflower; NHS Greater Glasgow and Clyde; Sandwell Financial Services Hub; ASRA Housing Association; Advising London; Circle Housing; Universal Support Delivering Locally in Derby; Hyde Housing; One Parent Families Scotland; Glasgow Association for Mental Health; Toynbee Hall; UNISON; Age Scotland; Gingerbread, Single Homeless Project, Lambeth; Money A&E, London; CraigOWL communities in Dundee; and Action Group, Edinburgh;

33 These were projects led by Circle Housing in Cambridgeshire; The Race Equality Centre in Leicester; Boston Mayflower’s in Lincolnshire; Advising London and Toynbee Hall in London, and the Life Chances team in Glasgow.

34 For further details see http://quidsinmagazine.com/
3.7. The remainder of this chapter now brings the findings from these sources together to provide insights into what is working well in the delivery of financial support to low income groups and what aspects of provision could be improved moving forwards. In the following chapter we also relate the findings from both the literature and field review in respect of evaluation practices.

WHAT WORKS?

3.8. In setting out what is working well, we use the framework developed from the literature review and group together our findings in relation to the following:

- Pro-active partnerships, which are identifying the target groups with the greatest needs;
- Effective engagement techniques;
- Tailoring provision to meet individual needs; and
- Linking with appropriate and affordable financial products.

3.9. Throughout, we also seek to draw out both the general lessons and those which are specific to individual priority groups.

PRO-ACTIVE, PARTNERSHIP WORKING

3.10. The need for pro-active partnerships to reach out to priority groups was confirmed by our one to one interviews and focus groups. For example, focus group beneficiaries identified a range of events which they considered had major impacts on their finances, and also identified the agencies from which they would have liked to have received support (table 1).
### TABLE 1: KEY LIFE EVENTS AND SUPPORT AGENCIES IDENTIFIED, FOCUS GROUP PARTICIPANTS

<table>
<thead>
<tr>
<th>Key events</th>
<th>Who should offer support?</th>
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</thead>
<tbody>
<tr>
<td>Moving home</td>
<td>Landlords</td>
</tr>
<tr>
<td>Losing your job</td>
<td>Jobcentre Plus</td>
</tr>
<tr>
<td>Having a child</td>
<td>GP’s and health visitors</td>
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<tr>
<td>Relationship break-up</td>
<td>Employers</td>
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<tr>
<td>Onset of long-term illness</td>
<td>Schools</td>
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<tr>
<td>Mental health problems</td>
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<tr>
<td>Bereavement</td>
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<tr>
<td>Caring for the family</td>
<td></td>
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</tbody>
</table>

3.11. However, some participants in the project, which included non-users of support services, simply did not know where to go in order to get help, whilst others only found out after things had reached crisis point. As one social housing tenant put it:

“For me the support was too late. By the time I got help with my money situation, I’d lost my job – it was my mental health issues that got me in this situation, so if I’d been able to get money help from my GP; or even from my employers, I’d be in a much better situation that I am now.”

**FOCUS GROUP PARTICIPANT, SOCIAL HOUSING TENANT**

3.12. For others still, the support that they had received was limited. For example, one man with a history of mental health problems had voluntarily moved off disability benefits and onto Jobseeker’s Allowance in order to obtain more support to get into work. However, this had meant a reduction in his income, and there was no real help provided to him about how to manage on this lower amount:

“They told me about grants to move into self-employment… but I could have done with more support about how to manage… things like cooking and food… what to buy and how to cook with it… it’s a lot cheaper to cook from fresh stuff than it is to buy processed food.”

**ONE TO ONE INTERVIEW, UNEMPLOYED**
3.13. In this particular case, the aspiration to move into employment and come off disability benefits was a cause of greater financial hardship.

3.14. In another case, the death of a supportive relative in what was otherwise a troubled household led to a chaotic lifestyle:

When I was 16 I lost my grandpa and went into a spiral and there was no help, I had one counselling session when I was at school and then the counsellor never turned up again, and I just kept going down the same path drinking and smoking cannabis, and then I got kicked out of home. Then I started selling cannabis. I didn’t do it because I enjoyed it, I did it because I needed money to eat and if someone had helped me and set me up before then it would be completely different… I wouldn’t have a criminal record, I’d have a job, I’d have a flat, I’d have everything, but I didn’t get any of that help.”

FOCUS GROUP PARTICIPANT, YOUNG ADULT, UNEMPLOYED

3.15. Many of the financial health providers we spoke to recognised the importance of identifying vulnerable groups early, and had developed partnership approaches to do so. For example, a partnership has been built between NHS Greater Glasgow and Clyde and the independent advice agency Money Matters, based in Glasgow Govan. This co-locates staff from the Money Matters project within the Family Information Service at the Royal Children’s Hospital in Glasgow to ensure that families with long-term ill and disabled children are interviewed regarding the financial implications of their child’s diagnosis and are provided with support to claim benefits and address other financial issues.

3.16. We also found evidence of strong partnership working to identify and meet the needs of social housing tenants, which was supported by the BIG Lottery’s Improving Financial Confidence Programme, and identified a number of key lessons within the Boston Mayflower project (see box 1, below).
BOX 1: THE BOSTON MAYFLOWER ‘FIT 4 YOUR FUTURE’ PROJECT

Boston Mayflower is a social landlord in Lincolnshire, established in 1999 following the large scale voluntary transfer of 4,800 homes from Boston Borough Council. The area has both high levels of unemployment and low paid employment, and tenants, which include migrant workers from Eastern Europe, have volatile incomes: often moving in and out of work on a regular basis. The area is also very rural, which presents barriers to people accessing services. They were successful in applying to the BIG Lottery for funding under the Improving Financial Confidence programme in order to reach out to tenants and help them develop personal budgeting skills and better IT skills.

THE CHALLENGES AND LESSONS LEARNT

Engagement with the target groups was initially a problem. The project initially publicised their service in newsletters to social housing tenants, and distributed over 4,000 leaflets, but the response to this type of marketing was poor. It was also initially working out of Jobcentre Plus offices, but this also failed to generate interest as people ‘felt like they were being made to come and see us, which just didn’t work’.

Instead, the project began to engage with the wider front-line of services in the area: training workers and building relationships with key organisations.

“Building up that referral network was really important. It took lots of presentations to get them engaged and referring through. The important aspect was convincing the wider front-line that our work could make their own jobs easier, and help them deliver more effectively. We did a lot of joint visits and working with individual clients and tried hard to ensure that boundaries were not blurred between our project and other agencies.”

It also started to provide sessions in local foodbanks and at community events organised by other organisations, especially those which had free activities on offer for children.

“We originally intended to deliver our own community based workshops, but we really struggled to get engagement. We changed tack and then sold the concept to local groups who were already in existence. We also started a partnership with the Princes Trust: they would create a group of young people and we would then deliver the workshops to them. The groups would be created for other purposes, and by the time we saw them they had bonded.”

The project also co-located with Citizens Advice, in premises where people can also access the local credit union on two days per week, and where there is considerable public access to IT.
addition, it also used a variety of methods, including home visits and the delivery of one to one sessions from other community venues, to reach out to people, and importantly included staff and volunteers who could speak the same languages as the main migrant worker groups.

The project also delivered a strong partnership offer: comprising needs assessment, and support with budgeting from within its own team; help with complex debt and wider welfare issues from Citizens Advice; and support with basic skills, IT and employability from Taylor ITEX.

“Our support workers would home visit or work from community venues, and we had a standard initial assessment, but then pulled together tailored action plans. We include help to find work and improve employability, and had a specialist advisor based within the project to assist with that. We also covered fuel debt. We broke everything down into bite sized chunks, and put in place an agreed plan and we would refer them onto the specialist coaching team. We had an employment coach, a benefits advisor and others. We also had a confidence coach, who worked on the underlying issues that were causing the financial problems. A lot of it was down to low self-esteem, and that needed to be addressed.”

OUTCOMES

As at the end of December 2015, the service had received over 1800 referrals and had engaged with 82 percent of these: a very high conversion rate. Rent arrears amongst those receiving the full service improved in 86 percent of cases, and in 43 percent of cases people moved from being in arrears to being in credit.

IMPLICATIONS FOR FUTURE PROJECTS

Unfortunately, BIG Lottery funding for the project has since ended, and although Boston Mayflower is continuing to support the service, this has led to restrictions on the eligibility for support. The project is currently only working with new tenants referred to it directly from Boston Mayflower.

Reflecting on what further improvements could have been made, the project highlights the importance of pre-tenancy work. In our view, it also demonstrates the need for longer-term funding to be available, and for the additional costs of serving rural communities, as evidenced by an increased need for home visits and outreach work, to be factored into future programmes.
3.17. However it is also evident from our field review that the vast majority of activity is taking place in respect of social housing tenants and, through the establishment of Universal Support Delivering Locally partnerships, in relation to benefit recipients who will need to transition to Universal Credit. We found far fewer examples of partnership working in respect of the other priority groups.

EFFECTIVE ENGAGEMENT TECHNIQUES

3.18. The Boston Mayflower FIT project demonstrates:

- The importance of building strong relationships with front-line agencies;
- The benefits of co-location with key delivery partners; and
- The advantages of ‘piggy backing’ on events organised by agencies that have already established trust with target client groups and local communities.

3.19. However, it also highlights that significant engagement challenges remain in place even once these steps have been taken.

3.20. A number of these challenges were specifically identified by participants in our focus groups and one to one interviews, and confirm those found in the literature review. These were:

- Time and cost constraints, including the cost of travelling on public transport, and mobility problems, which prevented the use of face to face services;
- For older people in particular, a lack of trust in telephone providers, because they ‘didn’t know who they were talking to’, and a lack of digital skills or fear of being scammed on-line;
- Mental health problems, including low level depression, which made people feel like ‘giving up’; and
- Lack of English language skills.

3.21. Further to this, even when people are ready to engage, and know where to go for help, they are sometimes frustrated due to the high demand placed on services:
“I find Citizens Advice very good but you can't get in to see them…you had to book an appointment or they were forever fully booked. You could book in for a month later, but the situation is here and now…you need to talk to somebody here and now.”

ONE TO ONE INTERVIEW, UNEMPLOYED

3.22. The financial health support providers we spoke to were all well aware of these issues, and in addition, some also pointed to a general lack of confidence in clients which held them back from seeking support. In many cases, people who were struggling to manage financially just did not believe that ‘good financial health’ was ever going to be something that they could achieve.

3.23. Several services indicated the importance of providing ‘crisis support’, such as help with benefit problems, including sanctions, and advice for people who had received letters threatening the use of bailiffs for Council Tax recovery. These circumstances were likely to result in people seeking advice for the first time, and practical help had to be provided to build trust. Only once this had been done was it possible to engage people in longer-term work to address their underlying problems (we return to this issue in the following section).

3.24. It is clear that there is no easy way to improve engagement levels. Neither is there a ‘one size fits all’ approach to the delivery channels that are needed. However, table 2, below, pulls out a number of identified good practices in these respects.

TABLE 2: BARRIERS TO ENGAGEMENT AND IDENTIFIED GOOD PRACTICE

<table>
<thead>
<tr>
<th>Barrier to engagement</th>
<th>Good practice</th>
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<tbody>
<tr>
<td>People are generally put off by offers of generic ‘budgeting advice’ or ‘financial capability’, which can imply that they are not good at managing their money</td>
<td>Avoid ‘jargon’. Instead, promote specific, practical, help for the things that people are interested in. This could include grants or cheap loans to obtain essential household items or could engage people about their aspirations to improve their lifestyle. For example, the ‘Making Money Count’ project in Cambridgeshire has launched a series of free monthly events for social housing tenants called ‘Love Your Home’. This advertises ‘DIY, decorating and design on a budget’ and the sessions involve craft, gardening and painting ideas which people can try out and then take home. Others have put on ‘eat well for less courses’. For older people, general activities which provide opportunities to socialise and keep fit can be an important first step.</td>
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35 For example, Toynbee Hall provides Lunch Clubs, fitness classes, and social activities for older people and engages them on financial health issues using fun and non-threatening ways, including board games and even origami.
### People have a range of preferences concerning delivery channels

Whichever delivery channels are used, these must be appropriate to the target group. Although many people lack digital skills and have problems accessing information on-line, in the long-term there are significant benefits for them in doing so. All services should therefore seek to build a ‘digital support offer’ into their provision.

Sometimes, offering help to get on-line – for example by providing cheap laptops and broadband packages – can get people engaged in wider financial health services.

### People need help with specific problems and are looking for quick solutions

Offers of practical support to meet these immediate problems help to develop trust and foster longer-term engagement. For example, the Money Wise project run by ASRA Housing Association offers furnished tenancies, with the cost of the package collected through the rent. Applicants for these packages are then engaged about other financial issues.

### People have a wide range of language, health and individual barriers which need to be catered for.

Recruiting staff from target communities, with the required language skills, and with knowledge of the specific barriers target groups face can be critical. For example, the Money House project run by Hyde Housing in Greenwich (see box 2) delivers its financial support to new, young, social housing tenants using qualified Youth Workers.

#### 3.25.

In addition to the above, a number of projects had also made engagement in financial health support mandatory. These were focused on very hard to engage groups, including young people who were entering social housing for the first time, and benefit claimants needing access to emergency welfare funds (see box 2, ‘The Money House’, below).

### BOX 2: THE MONEY HOUSE

Young adults moving into social housing often experience problems managing their bills and paying the rent, and have a higher incidence of arrears than other tenants. To address this, Hyde Housing Plus in partnership with the Royal Borough of Greenwich, Greenwich CAB, Meridian Money Advice and MyBnk, have created The Money House. This is a real life flat. It is furnished with second-hand furniture. It uses real utilities and receives real bills. It is used to deliver an innovative, flexible, programme of money management and financial confidence training with young people, aged 16 – 25, taking part in interactive learning experiences that simulate ‘living at home’.

### THE CHALLENGES FACED AND LESSONS LEARNT

Engaging some young people in financial health provision can be particularly difficult. The Royal Borough of Greenwich therefore made attendance at The Money House’s five day course
mandatory for young people who are moving from care and onto independent living. There is also a 1 day course which is open to other young people on a non-mandatory basis, for example, if they are already a social housing tenant but have been identified as having financial support needs.

Importantly, even though the course is mandatory for many of the young people, it still needs to be ‘sold’ to the young person as something which they will find useful.

> “Just because the service is compulsory, doesn’t mean we don’t have to think about the quality of what we deliver. Young people coming out of care still have to be convinced to attend at times. If their case workers are confident the sessions are worthwhile it’s a lot easier for them to promote them.”

Attendance is also encouraged by flexibility in the timing of courses – so that these don’t conflict with the need to attend college, for example – and by providing bus fares and hot meals to attendees.

The five day course is AQA accredited, and the course content, which involved young people in its design, is interactive and fun. It is far removed from the traditional classroom approach and is led by trainers experienced in delivering to young people. Participants are guided through how to read and understand real utility bills; electric meters; rent letters and tenancy agreements and are given practical tips to help them maintain their tenancy.

**OUTCOMES**

The project provides three five day cohorts per month, and by the end of 2015 had assessed the rent performance of 63 of its graduates against that of 344 other tenants aged 16 – 25 years old in the area. This indicated that people attending the Money House were three times less likely to get into problem rent arrears (of £500 or more), and that they were also more likely to be in credit.

The project is in the process of conducting a full Cost Benefit Analysis as it attempts to secure future funding.

**IMPLICATIONS FOR FUTURE PROJECTS**

The Money House project shows that mandating people to attend financial health support can work, but that this needs to be handled carefully. There can be no compromise on the quality of the support simply because people have been mandated to attend, and staff making the referral need to be able to sell the benefits of attendance.
TAILORING PROVISION TO MEET INDIVIDUAL NEEDS

3.26. The Money House project (Box 2, above) demonstrates the importance of involving the target group in the design of courses. However, for services which were providing one to one support, we also found several good examples of tailored provision.

3.27. The ability to tailor provision is underpinned by having robust needs assessment procedures in place, but there was considerable variation in approach. For example, a number of services we spoke to had developed standard ‘scripts’ to identify needs, whilst others preferred more detailed, and ‘client responsive’, interviews.

3.28. There may also be advantages in taking an ‘observational approach’. For example, the Making Money Count project in Cambridgeshire found that conducting home visits, which were necessary because of the rural location of many of its clients, had the added advantage of improving their needs assessments. This was because workers were able to directly observe the living standards of people referred to them, and could pick up on how organised people were in the management of their financial affairs. For example, they witnessed whether people were able to find bills and other pieces of financial information easily, and whether or not they understood these.

3.29. The costs of these different approaches do, however, vary considerably. In a recently published evaluation of the triage systems used to identify digital and personal budgeting support needs amongst Universal Credit claimants, the Learning and Work Institute (2016, para. 4.5) note that the most cost effective approach is likely to require the separation of the initial screening stage from the in-depth diagnostic assessment. The initial screening should utilise non-specialist staff, equipped with standard scripts, to determine whether a need exists, whilst the in-depth diagnostic assessment requires skilled advisers to determine exactly what types of support are required to meet those needs.

3.30. Importantly, projects must then be able to bring in partner agencies to provide support alongside themselves to meet complex needs as part of an agreed ‘action plan’ with the client.

3.31. These ‘action plans’ also constituted agreements between service providers and their clients as to who would take responsibility for individual tasks. These needed to empower clients to do things for themselves, but be based on a realistic assessment of their ability to do so, with basic skills, IT, and employability support offered where these were needed (see box 1, Boston Mayflower, above).

3.32. As previously mentioned, in many cases, providers also told us of their need to deal with immediate financial crisis situations for people, but then to work with them to tailor longer-term packages of support so that clients had the skills to prevent further crises from arising.
3.33. The success of this type of approach was borne out by several comments made by participants in our focus groups:

“I was in a mess when I split up with my partner, and needed help to sort out my housing and financial problems. At that stage I couldn’t have sorted things out on my own. I got help from a support worker to deal with that, and since then I’ve been back to do maths and English courses. They have courses on all sorts—savings tips and shopping on a budget. Now I go in and they talk to you and show you things, and if you do the course you get a certificate at the end of the day.”

FOCUS GROUP PARTICIPANT, SINGLE PARENT

3.34. This implies the need to ensure that financial health partnerships are capable of providing both emergency debt and benefits advice and longer term ‘knowledge and skills’ support.

3.35. In some cases, services also provided incentives for people to take up this wider support. For example:

☑ The Making Money Count project lends out laptops and provides a 3 month ‘pay as you go’ dongle with these to give social housing tenants in rural areas access to the internet. Up to 10 hours of IT support is also provided in people’s homes. This is focused on helping people with jobsearch activities and making savings by shopping online. For people who would otherwise have to travel to do their shopping, the savings can be considerable. A large number of people using the service are migrant workers from the EU who also make savings by being able to skype relatives abroad rather than paying for phone calls; and

☑ The Sandwell Financial Services Hub has offered shopping vouchers for people to attend group sessions, and have also promoted ‘taste testings’ of food to encourage people to attend ‘cooking on a budget’ events.

3.36. Whilst not all services offered access to group sessions, those that did so found that these were an effective means of building people’s knowledge and skills. In some cases, it is then possible to recruit people to act as ‘peer group mentors’ to support others in the community. However, where group work is being considered, it is important to inform the design of this by undertaking individual assessments of participants needs (see box 3, Toynbee Hall ‘Mentors Programme’, below).
BOX 3: TOYNBEE HALL’S ‘MONEY MENTORS’ PROGRAMME

The Money Mentors programme has worked with financially excluded people living in the East End of London for the past three years, but has recently started working throughout the capital. It is sometimes difficult to promote ‘financial education’ because of the stigma associated with the term. Money Mentors gets around this because it is training people up to help others, and there is a qualification that people obtain at the end of this. So people view it as more attractive. It provides 60 hours of training covering all aspects of money management and mentoring, and provides graduates with a formal Open College Network Entry Level 3 qualification.

THE CHALLENGES AND LESSONS LEARNED

London is extremely diverse. No single course can reflect the varied needs of groups or their learning preferences. Similarly, the delivery of the course has to be flexible in order to accommodate a range of time and other commitments amongst potential participants.

Responding to these challenges, Toynbee Hall forms a partnership with front-line agencies to build their knowledge of financial health needs, and these agencies then promote the course to users who are likely to find the course of benefit. The courses have bespoke content and delivery arrangements to reflect the needs of the client group being served by the front-line agency, and are also adjusted after undertaking one to one interviews with referred individuals.

They have, for example, delivered courses for a group of people with visual impairments and also for people who have recently been diagnosed with cancer (recruited through Macmillan). The course is reviewed every time that a new group is assembled to ensure that it is relevant and can be delivered in an appropriate way.

Although it is a course based on learning skills which will enable participants to help others, it is also designed to be of real immediate and practical benefit to the people attending:

“Confidence is often a key problem. People entering the programme often lack this, and also don’t see that the mainstream system is ‘for them’. We do a lot of work…to get money into peoples’ pockets early in the course as they are under financial pressure. We meet with everyone who is referred to the course on a one to one basis before it starts and draw up an individual action plan. For example, this often includes obtaining acceptable forms of ID to get a bank account opened up.”

Delivery arrangements are also flexible. The course is split into modules, which allows it to be delivered over different time-frames. For example, it can be delivered over 12 term time mornings in order to accommodate the needs of people with school age children or, for those
that prefer it, in an intensive two week block. Trainers are allowed to respond to the needs of the group, so if, for example, a crèche is required then this is provided.

Support is also provided on an ongoing basis to course graduates. Toynbee Hall provides updated information, training and volunteering opportunities to its graduates. It also encourages the mentors to refer people to specialist money guidance and advice services where they are unable to provide the level of support required themselves.

OUTCOMES

A detailed evaluation of the Money Mentors programme was published in 2015. This evaluated the programme prior to it being put on a pan-London basis. The evaluation reported that the programme was successful in delivering improvements in the participants’ self-reported ability to manage money on a day to day basis, and 41 percent of people graduating reported an improvement in savings. The evaluation also included a ‘conservative calculation’ of the social return on investment, which indicated that for every £1 invested in the project, £3 was returned in wider societal benefits.

Since moving onto a pan-London basis, Toynbee Hall has invested further in the evaluation of the programme, and has entered into a partnership with Community Finance Solutions (‘CFS’) based within the University of Salford. As part of this, CFS is undertaking a longitudinal study of changes to programme participants’ financial behaviours.

IMPLICATIONS FOR FUTURE PROJECTS

The Money Mentors programme brings together a number of elements which are critical to the delivery of effective financial health support:

- Marketing and promotion which avoids stereotyping or stigma;
- Close partnership working with front-line agencies;
- Individual assessment of needs, both in respect of the content of provision and in relation to learning needs and capabilities;
- Effective follow-up support; and
- Evaluation of wider impact and benefits.
LINKING WITH APPROPRIATE AND AFFORDABLE FINANCIAL PRODUCTS

3.37. The previous sections have highlighted how services have worked with people to improve their knowledge, skills and motivations to improve their financial outcomes. However, our research also indicates that this process is often frustrated by the lack of appropriate and affordable financial products available to people on low incomes; the lack of flexibility in bill payment schedules, and because of barriers to accessing financial services.

ACCESSING AND USING BANK AND OTHER TRANSACTIONAL ACCOUNTS

3.38. Although most of the people we spoke to had bank accounts, there were specific problems of access for refugees and for people with long-term illnesses or disabilities.

3.39. In respect of refugees, the problem appears to be primarily related to the ID requirements that need to be satisfied before an account can be opened. Navigating these without the necessary English skills, local knowledge and understanding of bank systems is challenging and the implications of any delays can be severe. For example, some people had problems obtaining a place to live until they could draw down their benefits to pay a deposit. Yet, the messages provided to them by banks were often unhelpful:

“I had my national insurance number and I went to a couple of banks, I told them I need to open an account so can I receive my benefits and they said, ‘we need a letter from the Jobcentre in order for us to open a bank account for you’. So I went to the Jobcentre, they gave me the book and the contract that I signed with them and I took it to the bank but then they told me, ‘No, we need your passport’. And it’s a couple of banks. Not only one bank. They didn’t tell me about it the first time. They will tell you, ‘Okay, bring this paper’ and then when you go back they will ask you for something else.”

FOCUS GROUP PARTICIPANT, REFUGEE

3.40. Advisers working with refugees also identified that they were sometimes sold accounts which were not suitable for them:

“We found a lot of our clients were signed up to things that they had no idea what it was they were signing... I had an experience of banks telling them this is the better account, sign it up and they don’t know what they’re doing!”

REFUGEE SUPPORT WORKER, THE RACE EQUALITY CENTRE, LEICESTER
3.41. We also heard from providers of financial health support to people with long-term illnesses and disabilities that this group was more likely to receive benefits through a Post Office Card Account than a bank account. This meant that they were unable to shop on-line and could also not access mainstream sources of credit.

3.42. However, even where people did have a bank account this did not mean that they were using it effectively.

3.43. Some people, who were on low but nevertheless reasonably stable incomes, did find direct debits useful:

“...I’m quite good with money now, but I used to be awful. Now, I set all my direct debits up so that they are paid as soon as I get my wages from work. Then I know exactly what I have got left to live on, and when that’s gone it’s gone. I don’t borrow money anymore, but I can’t afford to save either.”
FOCUS GROUP PARTICIPANT, SOCIAL HOUSING TENANT

3.44. But many of those we spoke to in the one to one interviews were wary of Direct Debits and often simply withdrew payments straight away and budgeted in cash:

“I don’t do direct debits. Because you never know if a job will be gone or anything and you know direct debits, once you don’t have money in your account, it gives the bank chance of charging you…I like to draw my money out, pay my bills, no direct debits.”
ONE TO ONE INTERVIEW, SOCIAL HOUSING TENANT

“I get my Jobseekers’ Allowance paid into a bank account and then I take it all out and put it in the cupboard. I find it easier to keep track of my spending that way.”
ONE TO ONE INTERVIEW, JOBSEEKER’S ALLOWANCE CLAIMANT

3.45. Providers recognised these issues and therefore worked with clients both to ensure access to appropriate bank accounts, including the ‘fee free basic accounts’ which have been launched by nine banks this year36, and to help build budgeting skills to provide greater confidence in their use.

36 Barclays, the Co-operative Bank, HSBC, Lloyds Banking Group (Bank of Scotland, Halifax and Lloyds), National Australia Group (Clydesdale Bank and Yorkshire Bank), Nationwide, RBS Group (NatWest, Royal Bank of Scotland and Ulster Bank), Santander and TSB.
However, we found little evidence of providers considering the potential role of alternative transactional accounts, including pre-paid debit cards, because of the often complex fee structures of these products, and there was also a general reluctance to advise people to take out specific products.

BILL PAYMENTS, CREDIT, AND THE STRUGGLE TO SAVE

Many of our one to one interviewees and focus group participants confirmed the literature review findings that living on a low income for protracted periods meant that they struggled to maintain bill payments, access affordable credit and save regularly.

These problems were common regardless of whether people were in work or not:

“You can’t save anything on Jobseeker’s Allowance, it just isn’t enough. And you think it’s going to be ok when you find work, but as soon as you find work then you’ve got every bill coming through your door for your Council Tax and for your rent… and you get the bills coming before you’ve actually earned enough money to be able to pay them. It gets you in a sticky situation, doesn’t it? And that’s why then people sometimes bury their head in the sand and think I’m a failure or something because I’m not earning enough. You’ve finally got some money but it isn’t enough because everybody is at you immediately.”

FOCUS GROUP PARTICIPANT, YOUNG WORKER

“[Moving in and out of work] caused me lots of problems. I ended up taking out big loans from Wonga and then I wasn’t able to pay them back.”

ONE TO ONE INTERVIEW, SOCIAL HOUSING TENANT

In respect of people moving in and out of work on a regular basis, local authorities are able to provide assistance to some people with their rent payments for the first four weeks after they enter employment through the use of Extended Housing Benefit Payments. However, these are only available if the claimant has been claiming out of work benefits for a continuous period of 26 weeks or more. They are therefore not available for people who move into and out of employment on a more frequent basis.

37 The qualifying benefits are Income or Contribution based Jobseekers’ Allowance; Income Support; Employment and Support Allowance; Incapacity Benefit or Severe Disablement Allowance.
3.50. Many of the people we spoke to also struggled due to a lack of flexibility in bill payment schedules. Landlords, Councils and utility companies expected to receive regular instalments throughout the year, which simply didn’t take account of the fluctuations in income and spending pressures that participants faced – some of which, such as the additional costs associated with Christmas, were reasonably predictable. However, one participant in our research indicated that her housing association provided two ‘rent free weeks’ at Christmas, which was helpful in easing pressures on the family budget at that time of year.

3.51. Several service providers that we interviewed also confirmed the literature review findings that debts were often incurred when people moved home: either because of the cost of deposits, or because of the need to furnish accommodation. In order to provide people with an alternative to the high cost rent to own stores, ASRA housing association was offering new tenants a choice of furniture packages, with the cost of these recovered through the rent.

3.52. To help provide people with access to more affordable credit, and to also encourage people to set aside small sums in savings, most of the projects we spoke to had formed relationships with their local credit unions.

3.53. However the nature of those relationships varied significantly. The most formal partnership included in our field review was that between Circle Housing and Leeds City Credit Union, which operates under the brand ‘Circle Housing Money’. This provides a full range of credit union services to any Circle Housing tenant, no matter where in the country they actually live. Participants in Circle’s ‘Making Money Count’ project were encouraged to open a credit union account and to put in any savings achieved from the use of the project’s low cost laptop and broadband scheme. To incentivise this Circle Housing also matched the first £40 of savings.

3.54. The relationships with credit unions found in other projects were much less formal. Whilst Boston Mayflower’s ‘FIT for Your Future’ project had located into premises which were also used by their local credit union on two days per week most others simply alerted service users to the availability of credit unions operating in their areas.

3.55. Credit unions aside, we found very little engagement taking place between financial health support services and other affordable credit providers, such as Fair for You. This appeared to be because support for local credit unions was an established aim of local financial inclusion strategies, and there was a perception that making referrals to Fair for You or other affordable credit providers could cut across this. As with bank accounts and other products, there was also a reluctance to be seen to ‘advise’ on which financial services products best suited individual service user’s needs.
3.56. Similarly, we also found no evidence of engagement occurring between the financial health support services included in our review and the wider credit industry, including new FinTech firms and credit reference agencies. As a consequence opportunities to inform the design of new credit and savings products, test out new technologies, and help people to improve their credit scores, may be being missed.

A LACK OF INSURANCE

3.57. Finally, it should be noted that interviews with service providers indicated that discussions with clients did take place about the importance of insurance. However, this was often limited to discussion about life and home contents insurance. Accident, sickness and unemployment insurance products were largely felt to be inappropriate because many service users were in irregular employment or had pre-existing medical conditions. In many cases these insurances were often viewed as a ‘desirable extra’ and the premiums were perceived as unaffordable given the low incomes that people had.

3.58. The take up of home contents insurance was particularly promoted by financial health projects being run by housing associations, and people were directed to a low cost product which was endorsed by the National Housing Federation. For example, in Lincolnshire, Boston Mayflower’s ‘FIT For Your Future’ project reported that they were able to encourage the take-up of home contents insurance following floods in the local area.

3.59. However, we again found no evidence that financial health support services were directly engaging with insurance providers to help shape the design of insurance products. They were reluctant to be seen as endorsing or ‘promoting’ specific products to their clients, which would be seen as ‘financial advice’ and is something that they are not qualified or licensed to undertake.
4. EVALUATING THE IMPACT OF SERVICES

4.1. The two previous chapters have focused on the findings from the literature and field reviews concerning the identification of priority low income households and the challenges in delivering financial health support to these.

4.2. This chapter now turns its attention to how services have evaluated their impact. We begin by reporting on the evaluation methods used by the services in our field review, and, with reference to the findings of previous studies, reflect on the key challenges that projects face. The chapter then proceeds to discuss how these could be addressed moving forwards.

EVALUATION METHODS USED AND THE KEY CHALLENGES

4.3. The most common method of evaluation identified in the project was that of measuring the ‘distance travelled’ by service users with respect to their financial confidence.

4.4. In particular, ECORYS and the Personal Finance Research Centre at the University of Bristol are evaluating the BIG Lottery’s Improving Financial Confidence (‘IFC’) programme and have embedded a tool in funded projects which measures how the financial confidence of their service users has changed over time. Service users complete an on-line questionnaire which gathers information about their awareness and access to financial services, ability to budget and manage bill payments, and ability to cope with financial pressures. An overall financial confidence score for each project participant is then calculated. As at May 2015 the evaluators had obtained base-line data from over 15,000 beneficiaries, of which around 3,000 had subsequently been followed up. Reporting the results from this exercise, the evaluators noted that 84% of project beneficiaries improved their financial confidence scores over time.

4.5. Similarly the initial evaluation of Toynbee Hall’s Money Mentors programme (prior to it moving onto a pan-London basis) used a ‘distance travelled’ approach and incorporated questions based on two of the five behavioural domains included within the Financial Capability Survey (Williams & Simpson, 2015).
4.6. However, some caution is needed in respect of the distance travelled method, because participants have been found (Collins & O’Rourke, 2010) to overestimate their financial knowledge. In addition, measurements of confidence are not the same as measurements of actual ability or financial outcomes.

4.7. This point was reinforced by some projects participating in the IFC evaluation, with one of the services pointing out that:

“The scores are based on the confidence of people – at baseline people think they are more capable than they are. Six months later they are more realistic but it looks as if they have deteriorated. It’s also all quantitative and there isn’t any scope for putting in qualitative findings.”

4.8. There are also problems of attribution. This has been explicitly recognised by the IFC programme evaluators who point out that:

“…it is not possible to say whether these changes [in the financial confidence of scores of users] are directly attributable to beneficiaries’ involvement in the IFC projects but the IFC activity is likely to be a significant contributing factor in any change evidenced.”

4.9. Given the difficulties with self-reported scores, the IFC evaluation also gathers information from projects concerning levels of rent arrears, whether or not people have home contents insurance, a bank account, and are members of a credit union. The Toynbee Hall evaluation also included an assessment as to whether or not participants had increased their level of savings. Encouragingly, both evaluations indicate that there have been improvements in these ‘harder’ types of outcomes, but again it is not possible to say that this has been due to the interventions within the programme or because of other, material, changes of circumstance. To address this issue the IFC evaluators are currently undertaking work to establish a strong counterfactual analysis, which has hitherto been lacking in much of the evaluation of financial health interventions.

4.10. In respect of projects included in the field review, we found that those working with social housing tenants were able to identify a strong counterfactual by monitoring the impact of their services on rent arrears levels for different cohorts of service users, and by comparing these to levels of arrears amongst the wider tenant population. More sophisticated techniques involved matching the demographics of service users to other tenants, and comparing rent payment performance across the two groups. As mentioned in chapter three, we particularly identified the
Money House project’s evaluation method of comparing rent arrears levels amongst its graduates with similar non-service user tenants in the area as an example of good practice.

4.11. However, some providers had reservations about the reliance on reducing rent arrears as the main outcome measure, arguing that measures were also needed to demonstrate the importance of preventative work. Because of the focus on rent arrears reduction, services tended to focus on existing tenants who were in arrears rather than on making interventions at the pre-tenancy stage.

4.12. Non-social housing projects found it harder to obtain counterfactual evidence or to gather information from service users concerning ‘hard outcomes’ such as levels of rent arrears over time, and few of them employed longitudinal studies. This was understandable, as they are expensive to undertake, and several projects reported that their services were often inadequately staffed to meet demand and that they were therefore limited the amount of time that they were able to dedicate to gathering and analysing data, including qualitative data, for evaluation purposes.

4.13. Nevertheless, they did collect a wide range of immediate outputs. These included the amount of additional money that had been secured for clients as a result of assistance with welfare benefit claims and the savings made through the transfer of people to cheaper fuel and mobile phone tariffs.

4.14. Moving forwards there is a need for greater consistency in the measures that are used, and it may be useful for projects to utilise the financial health indicators that have been developed in the US by the Center for Financial Services Innovation. These measure:

- The difference between a household’s income and expenditure;
- The percentage of bills that are paid in full and on time;
- The amount of savings that a household has – expressed in terms of the number of months of living expenses that this could cover;
- The amount of pension savings;
- The current debt load of the household – expressed as a percentage of income;

38 For further details of the indicators, which are currently being trialled in the US see http://www.cfsinnovation.com/Document-Library/Eight-Ways-to-Measure-Financial-Health-(1)
The credit scores of people living in the household;

- Whether or not it has appropriate insurance cover; and

- Whether or not the household is planning ahead for the future.

### 4.15
Whilst all projects recognised the importance of monitoring these types of outcomes in order to make the case for ongoing funding, some providers felt that the level of information being sought by funders was onerous, and one provider felt that the comprehensive and intrusive nature of client questionnaires were sometimes a barrier to building a relationship of trust.

### 4.16
As well as recording a wide range of outputs, all of the projects in our field review were also able to point us to case studies and anecdotal evidence from their service users which demonstrated that they were making an impact.

> “I lost my husband 17 months ago and he had problems with money and everything, and if it hadn’t have been for [the worker here] I don’t know what I would have done, no.”

**FOCUS GROUP PARTICIPANT, OLDER PERSON**

### 4.17
As well as being costly, it should also be noted that longitudinal studies suffer from high attrition rates. For example Orton (2010) evaluated the impact of debt advice on low income households over six years, using in-depth interviews and annual follow-ups, and reported major difficulties due to many participants moving home over the period and becoming difficult to trace.

### 4.18
Several of the projects in our field review which were attempting to track outcomes for their clients also reported this problem:

> “We have lots of baseline information, and have tried to follow up once people are six months into the project and again after the end of the support, but it is just so difficult to get hold of people and get them to respond.”

### 4.19
Although tracking client outcomes posed problems, projects had more success in evaluating their internal processes. Particular good practice in this respect included a project which was monitoring the referrals being made to it and the conversion rate of these into active cases. This had led it to identify that the number of ‘touchpoints’ or referral steps before help was given impacted on the conversion rate. Where a person was passed through several referrers, they were far more likely to disengage before getting actual support. Likewise,
they also noted the conversion rate from particular referral routes. This helped it to identify whether or not staff within referring agencies needed more training or support.

4.20. Finally, a number of the projects in our field review had either already conducted some form of cost benefit analysis or calculation of the Social Return on Investment (‘SROI’), or were keen to do so in recognition that this was an important part of making the business case for continued funding.

4.21. Previous CfRC research (Gibbons & Foster, 2014) conducted for the Joseph Rowntree Foundation identifies a number of key challenges in this respect. In particular, there is a need to construct detailed logic models, which trace the impact of interventions through their primary, secondary, and longer-term outcomes. For example, providing debt advice and budgeting support could reduce stress, build skills and confidence, improve mental health, and form an important part of wider work to move people into employment. However:

☑️ **Outcomes may not be easy to validate.** For example, service users may report that they have been depressed about their financial circumstances prior to seeking advice, but this may not have been at a level which incurred costs for the NHS or had an impact on their employment. Ascribing cost savings in these respects would be difficult to justify without first conducting an interview designed to gather information on the severity of the depression. Alternatively, advice could be provided which would be expected to lead to a positive outcome, but the advice may not have been acted upon;

☑️ **Outcomes may not be easy to attribute to projects.** At least in their entirety. This has already been identified by the IFC programme evaluators. For example, advising someone about childcare availability and costs in their area may contribute to a mother’s return to employment, but it is only one part of their pathway to work. Decisions therefore need to be made about how much value should be attributed to the provider of information, advice and support even where an outcome has been proven;

☑️ **Assessing the value of an outcome can be difficult.** In reality, the values of outcomes are individual – for example savings to local authorities by preventing evictions and homelessness will depend on how intensive the support would need to be to find someone suitable alternative accommodation. It is clearly not possible to undertake an individualised assessment of value for all service users so proxies need to be used which are typically based on the average cost savings that could be expected;
Some outcomes would have been achieved regardless of the intervention. This is known as deadweight and the value of a proportion of validated outcomes therefore needs to be discounted, with this established through the use of robust counterfactuals. Again, this has already been identified as an issue by the IFC programme evaluators;

Similarly, some outcomes have displacement effects and also need to be discounted. For example, debt advice may result in the write-off of Council Tax debt, which incurs costs for local authorities; and

The value of outcomes also ‘drops off over time as other factors start to have an influence on the service user and the degree to which long-term outcomes can be attributed to a specific intervention decreases.

4.22. As a consequence of these issues, it is important for SROI calculations to observe the principle of caution and to avoid the over-claiming of outcomes and their value.

MOVING FORWARDS

4.23. Given the above, it is particularly welcome that the Money Advice Service has recently launched a £7 million fund to support the evaluation of services. The ‘What Works? Fund’ is linked to a financial capability outcomes framework which seeks to ensure, in the case of adults, that people have:

- The relevant knowledge and skills to understand their financial situation and the products and services available to them;
- The attitudes and motivations required to deal with financial problems and plan ahead for the future; and
- Are connected to sources of information, advice and support and to appropriate financial products.

4.24. The Fund will support the evaluation of existing interventions in order to strengthen the evidence of these on the financial capability outcomes for service users, and also assist in the scaling up of interventions which have been demonstrated to work. Finally, an element of the Fund has also been set aside to pilot and evaluate new approaches to improving financial capability outcomes.
4.25. The Fund should therefore provide a much needed boost to projects which have hitherto found it difficult to evaluate their interventions due to resource constraints. The Fund is likely to be particularly valuable if it provides support for more longitudinal studies containing stronger counterfactual analysis, and to the development of robust frameworks to assess the SROI for financial health support projects that can be replicated moving forwards. Work on these aspects of evaluation is already taking place – for example within the partnership between Toynbee Hall and Community Finance Solutions at the University of Salford – and it will be important for the Fund to have regard to the lessons that are beginning to emerge from this.

4.26. Given the constraints on public funding and the necessity for projects to make a compelling case for funding, we see the development of consistent and robust SROI assessments as an urgent priority for the sector. In our view, it would therefore be very helpful if the Money Advice Service were to co-ordinate discussions between funding bodies, financial health service providers, and evaluators to establish agreed standards for the analysis of SROI. In particular, these standards should incorporate:

- A set of agreed logic models, which set out the links between specific financial health interventions and the longer term outcomes to which these have been proven to contribute;

- A consistent approach to the questions of validation and attribution of outcomes, and to the use of proxies and counterfactuals; and

- Agreements concerning the treatment of benefit take-up and income maximisation interventions, which can significantly improve the financial circumstances of households but which also present an additional cost to the taxpayer; and likewise the treatment of debt restructuring and write-off, particularly in respect of debts owed to public bodies.

4.27. Finally, whilst the focus on outcomes for service users is understandable, in our view there is also a need for more work to evaluate internal processes, including in respect of engagement methods, referral procedures, and assessment and case management techniques. Our field review particularly identified that there are significant variations in the practices of projects in these respects, which considerably affect the cost of provision. Sharing knowledge and expertise of what works in respect of these processes could therefore assist projects to become more cost effective, as well as improve the service provided to low income households.
5. CONCLUSIONS AND RECOMMENDATIONS

5.1. This project has highlighted the increasing financial pressures on lower income households in recent years, and the need for action to improve the provision of support to help these achieve better financial health. This chapter now reviews our main findings and makes recommendations in respect of:

- The priority groups needing support;
- Lessons for service delivery;
- Improving access to appropriate financial products and services; and
- Evaluating impact.

THE PRIORITY GROUPS NEEDING SUPPORT

5.2. We find that low income households containing children or someone with a long-term health problem or disability are likely to face considerable financial pressures. Both of these types of household have higher living costs than other households, and also face substantial labour market constraints. The constraints on their employment can then impact negatively on their long-term financial health because this limits their ability to save for retirement. We therefore consider that both of these types of households should receive much greater priority in the future planning and resourcing of financial health support services.

5.3. Other demographic factors such as age, housing tenure, and ethnicity are also important, because these also affect the specific ‘life events’ that people experience, which give rise to support needs. We particularly identify the following types of low income households as priority groups:

- Young people who are in the process of leaving local authority care or are Not in Employment, Education or Training;
- Both social and private housing tenants, with the latter particularly poorly provided for at the current time;
Older people in retirement, and

Asylum Seekers and Refugees, and migrant workers.

5.4. We also recommend that further research be conducted into the financial health needs of specific BME groups, with this focused on those communities who are over-represented in low paid work, including self-employment.

5.5. Finally, we also find that whether or not households are able to progress in the labour market and thereby achieve relative stability of income – or are trapped in a volatile no pay/low pay cycle - has a considerable impact on their need for financial health support. In our opinion there is a need for the Department for Work and Pensions to improve support to those who are in low paid precarious employment as well as ensuring provision through its Universal Credit Delivering Locally Partnerships for those who are out of work.

LESSONS FOR SERVICE DELIVERY

5.6. Delivering effective financial health support to the above groups will require strong partnership working across a wide range of agencies. We found that partnership working was most apparent in respect of provision targeted to social housing tenants, with this having been underpinned by the BIG Lottery’s Improving Financial Confidence programme. The bidding process for funds from that programme required that partnerships be formed between social landlords and agencies working in the financial health field.

5.7. Similar large scale funding programmes are urgently needed which encourage financial health partnerships to be formed around the needs of the other priority groups. However, these new programmes will also need to do more to help services create a robust business case for on-going funding. Without this assistance, we have seen that services, such as those provided by Boston Mayflower, have been reduced once programme funding has come to an end. We return to this issue when discussing the lessons for evaluation later in this chapter.

5.8. Given the significant risks that the roll out of Universal Credit will negatively impact on the financial health of claimants it is also a concern that current funding levels for the digital and personal budgeting support elements of Universal Support delivering locally partnerships appear to be very low. We recommend that more work be done to robustly price up the cost of effective partnership delivery to support these, and for the findings from this exercise to be used to inform the scale of funding in respect of programmes targeting the other priority groups.
5.9. We are also concerned that there appears to be very limited hand off of cases from Jobcentre Plus to local authorities and the Voluntary and Community Sector to provide support, and would welcome a greater role for these in the delivery of support. USdl partnerships also need to consider the potential role of landlords, utility companies, and credit providers who will all be affected by the shift to payment of benefit in arrears.

5.10. The development of trials of support for other priority groups is urgently needed, and these may also need to be geographically targeted. For example, trials to provide support for private rented sector tenants are particularly needed in London and the South East, where rents are becoming increasingly unaffordable.

5.11. Because many low income households have existing debts, funding programmes should encourage those partnerships to deliver both crisis assistance, including debt and benefits advice, and also provide help to improve financial knowledge and skills, and motivate people towards longer term goals.

5.12. It is our view that partnerships should also include agencies which are able to provide support to help people obtain digital skills and, for those directed at working-age client groups, also enable access to basic skills and other employability training services.

5.13. Partnerships should also actively consider whether or not elements of their offer of support would benefit from co-location, and they will need to have a rolling programme of training for front-line staff to support them to screen service users for financial health issues and make referrals.

5.14. However, even where effective screening and referral arrangements are in place the evidence from our field review indicates that engaging people from the priority groups will be a key challenge due to:

- Time and cost constraints, including the cost of travelling on public transport, and mobility problems, which prevented the use of face to face services;

- For older people in particular; a lack of trust in telephone providers, because they ‘didn’t know who they were talking to’, and a lack of digital skills or fear of being scammed on-line;

- Mental health problems, including low level depression, which made people feel like ‘giving up’;
5.15. Our review indicates that it is therefore important for services to consider how these barriers will be overcome. Services need to avoid messages which somehow imply that financial capability is lacking amongst the target groups, and instead provide tangible offers of assistance – for example, to help people obtain laptops and broadband access, essential household goods, or provide financial incentives for people to save.

5.16. In some cases, it may also be appropriate for partnerships to consider whether or not some of the priority groups should be mandated to attend financial health support. In our view some form of ‘positive mandation’, whereby people are required to attend financial health services in order to gain access to other goods or services that they want could be appropriate for very hard to engage groups. The Money House project reviewed as part of this study shows that mandation has been already used successfully during the transition process for young people leaving care. However, that project also demonstrates that there can be no compromise in the quality of provision simply because those attending have been mandated to do so.

5.17. Once engaged, partnerships working with the priority groups need to ensure that they have robust procedures in place to assess need and to ‘case manage’ support, which is likely to be provided by a number of different organisations, especially where there are multiple and complex needs present. A number of different approaches to needs assessment and case management are evident, with triage arrangements varying in terms of their effectiveness and cost of provision, and partnerships need to consider whether there are benefits in streamlining these processes in order to reduce the risk that people will ‘fall out’ of provision due to the number of referrals taking place between agencies. Specific research to establish the most cost-effective approaches is needed here.

5.18. Finally, we also found that the use of peer mentoring and group work approaches could be effective. However, partnerships need to consider the pros and cons of group work carefully. As demonstrated by the good practice in the Toynbee Hall Money Mentors programme, services also need to ensure that when groups are being created they assess the individual needs of participants. This assessment should consider whether a group work setting is appropriate, and how the content and delivery of the group work can be tailored to their requirements.

☐ Lack of English language skills; and

☐ A lack of confidence that ‘good financial health’ is achievable.
5.19. We found that many financial health support services had made links with credit unions as an intended means of widening access to affordable credit and small sum savings, and that they were also able to assist with the opening of bank accounts and take-up of home contents insurance. However, it is apparent that there generally remains a lack of affordable and appropriate financial products and services for low income households.

5.20. In particular, the volatile incomes of many low income households combines with inflexibility in bill payment schedules to drive the use of credit as a means of managing cash flow problems. Greater flexibility in bill payments is needed so that these can easily be rescheduled at times of financial pressure. Indeed, some of those pressure points are also reasonably predictable (e.g. the cost of Christmas) and social landlords, local authorities and utility companies should offer households with the opportunity to come up with individualised bill payment schedules which reflect these.

5.21. The long-term benefits to these organisations in terms of reduced debt collection costs are likely to be significant. We therefore recommend that a number of pilot projects be established, which bring together FinTech companies, payment services providers, bill charging agencies and financial support services targeting the priority groups. These should test out how greater bill payment flexibility could be provided (including for example, the use of mobile apps to alert service providers to fluctuations in income) and the financial capability interventions required to help people use this effectively.

5.22. Other, longer-term, problems also need to be addressed. These include the inadequacy of pension provision for many lower income women and for people with long-term health problems or disabilities, as well as the failure of income protection policies to adapt to greater casualisation in the labour market. Fundamentally, there needs to be more co-operation between financial services providers and financial support services to design products that are appropriate to peoples’ needs. Specific funding streams need to be provided which support the bringing together of low income consumers with financial services innovators to design new products and services, and to provide innovators with the ongoing support needed to bring their products to market.
5.23. There is also a need for financial support agencies and other stakeholders to look beyond the traditional partnerships that they have forged with credit unions. For example, Fair for You provides a considerably improved offer for people needing to purchase essential household items and more needs to be done to promote this service.\(^\text{39}\)

5.24. There are also opportunities to work with FinTech companies to help design new apps and test out how these can help improve budgeting skills and encourage savings. Specific funding needs to be provided to support the establishment of partnerships between FinTech companies, financial capability providers, and affordable lenders.

EVALUATING IMPACT

5.25. It is critical that financial health partnerships put in place effective mechanisms to evaluate their impact and to make the business case for ongoing funding. We therefore welcome the launch of the ‘What Works? Fund’ by the Money Advice Service, which is providing up to £7 million to support evaluation across the sector.

5.26. In our view, the business case for ongoing funding would best be supported if projects were using consistent indicators of financial health, such as those developed by the Center for Financial Services Innovation in the US (see chapter 4), and also conducting an analysis of their Social Return on Investment (‘SROI’).

5.27. It would therefore be very helpful if, prior to its abolition in 2018, the Money Advice Service were to co-ordinate discussions between funding bodies, financial health service providers, and evaluators to establish agreed standards for the analysis of SROI in this field.

5.28. Finally, whilst the focus on outcomes for service users is understandable, funding needs to be made available to help services evaluate their internal processes, including in respect of engagement methods, referral procedures, and assessment and case management techniques. Sharing knowledge and expertise of what works in respect of these processes would help services become more cost-effective and maximise the impact of future funding programmes.

\(^{39}\) See our review of the social impact of Fair for You at \url{http://www.responsible-credit.org.uk/fair-for-you-real-difference-peoples-lives/}
BIBLIOGRAPHY


