

christians  
against  
poverty

**CAP**

# ***Financial Education - Call for Evidence***

***CAP's official response to The Centre for Social Justice's financial education consultation***

February 2022

**always hope.**



Official response to The Centre for Social Justice's *consultation on Financial Education*

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## Summary

Christian's Against Poverty (CAP) is the UK's largest provider of free, face-to-face adult financial education. CAP delivers its financial education through the CAP Money Course and Life Skills, providing teaching on areas such as budgeting, attitudes towards money management, and navigating credit. Between 2008-2021, CAP has delivered over 15,000 CAP Money Courses and reached 75,382 delegates.

CAP welcomes research into financial literacy and capability, and strongly agrees with the need to improve the delivery of financial education across the UK for individuals of all ages. CAP believes that the Government has a key role to play in encouraging comprehensive delivery of financial education across the UK, and in addressing inequalities in financial wellbeing across the population.

### Key points:

- The state of UK financial wellbeing is better understood through the broad lens of 'financial capability', rather than the narrow lens of 'financial literacy'.
- Barriers facing individuals in areas of high deprivation often stem from lack of opportunity, rather than lack of knowledge or skills alone.
- Financial education needs to equip individuals with the ability to navigate complex financial systems, alongside a focus on personal income and expenditure.
- The Government needs to ensure more consistent and comprehensive delivery of financial education.
- Schools can tackle inequalities in financial capability through offering pupils the opportunity for hands-on money management.
- While financial education is crucial at all stages of life, there is a particular need for it amongst young adults.
- Cross-generational community learning is a valuable asset when delivering financial education.
- The Government needs to encourage a narrative shift towards talking openly about money problems.
- The Financial Conduct Authority (FCA) needs to do more to limit the public's risk from new financial products in a timely manner.
- The Government needs to strengthen regulation around advertising of financial products.

## Questions

### **1. Do people living in areas of high deprivation face particular challenges regarding financial literacy? How might financial education services for people on low incomes be improved?**

Financial literacy is commonly understood as the possession of knowledge around financial concepts and procedures. Financial capability is broader in its meaning, referring not only to financial knowledge but also the skills, attitudes, motivation, confidence, and opportunity to apply this knowledge.<sup>1</sup> These components of financial capability are referred to as 'enablers and inhibitors', and interact with external factors (e.g. inflation, changes in wages) to influence an individual's financial wellbeing - a sense of security and control over current and future financial needs, including the unexpected.<sup>2</sup> CAP understands that barriers to financial wellbeing are multi-faceted (beyond mere financial knowledge) and recognises the need for financial education to reflect this. Answers to the following questions, therefore, will work from the broad understanding of financial capability given above.

Individuals living in areas of high deprivation face many specific challenges in relation to financial capability. These stem from the interaction of many social, economic, political and personal factors, meaning that even the best budgeters can face barriers to improving and maintaining their financial wellbeing. Many may face the challenge of having fewer opportunities to practice money management when growing up. Low income families may have less capacity to: give their children pocket money; involve their children in financial decision-making due to the stress incumbent in managing household finances on low incomes; and model use of financial services, such as mortgages. As a result, individuals from low income families may have less knowledge, practical skills, and opportunities to practice money management.

Amongst CAP clients there is a strong correlation between individuals with low incomes, and digital exclusion. Digital exclusion is defined as unequal access and capability to use digital and online resources essential to participate in wider society. Being digitally excluded can negatively impact an individual's financial capability in numerous ways, such as by limiting: exposure to useful financial information; access to essential online services; ability to apply for jobs; and retail savings.<sup>3</sup> An increased likelihood of digital exclusion means that individuals in areas of high deprivation may have less access to financial information and less opportunity to apply the information that they do have.

A practical barrier facing many people on low incomes is the complexity of financial services and resources. Benefit payments, for instance, have moved to a monthly model of payment, rather than weekly (with the aim of mirroring monthly wage

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<sup>1</sup> [MAS, 2021](#). Building the financial capability of UK adults

<sup>2</sup> [MaPS, 2020](#) p.9. The UK Strategy for Financial Wellbeing 2020-2030

<sup>3</sup> [CAP 2021](#). Digital Divide

income). However, many on low incomes struggle to engage with this payment model and prefer to budget on a weekly basis, especially where their employer pays wages on a weekly or fortnightly basis. Similarly, the complexity of benefits or grant applications (e.g. for college bursaries) can lead to difficulties in accessing the relevant resources needed to attain financial wellbeing. The complexity of the financial system, therefore, can limit individuals' ability to apply their financial knowledge and skills.

The financial barriers facing individuals living in areas of deprivation do not stem simply from a lack of knowledge or skills, but often from lack of available opportunities to apply skills or access services. This should challenge commonly held misconceptions around low income families having poor money management practices. In response to these complex challenges, financial education can be improved to facilitate accessibility of financial products and services. Firstly, there is a need for education to be made accessible through non-digital means. With many low income families facing digital exclusion, it is crucial that financial education providers design inclusively.

Secondly, there is a need for financial education services to move away from individualising the issue of money management - for example by focusing only on cutting expenditure when budgeting - towards paying attention to broader societal factors. This could look like equipping individuals to navigate financial complexities, such as the benefits system.

Finally, financial education should situate money management skills within a broader life context, providing training on complimentary skills needed to attain good financial wellbeing. This could be delivered through a course such as the CAP Life Skills Course, which provides support on areas such as relationship management, eating well on a budget, and organisational skills. These complimentary skills help individuals to apply money management practically within their real life contexts, for example through equipping people with the skills to manage financial expectations within households.

## **2. Do you have suggestions for how Government policy can improve financial education in school and/or at home to ensure young people enter adulthood financially capable?**

Research shows that children's financial capability is significantly shaped within the home and schools, especially during early years. The opportunity for children to learn and practice money management at home can play a significant role in shaping later financial capability. The opportunity to equip children with such knowledge and skills varies across households. Within low income households it can be difficult to involve children in financial decision-making due to difficult financial situations and decisions that households may incur, such as needing to choose between heating the home or paying the weekly food bill. Perhaps most significantly there is often less capacity within low income houses to give children hands-on experience in managing money, for example in giving regular pocket

money. This means children can miss out on consolidating their learning and developing practical skills.

The significant role of the home in shaping children's financial capability points to the importance of equipping parents and carers with the relevant skills, knowledge and confidence to pass onto their children. This highlights the need for holistic financial education, rather than a sole focus on schools and young people. CAP Life Skills, for example, helps to provide parents with the skills needed to communicate effectively with their children on issues such as money management. In order for more parents and carers to take up such opportunities, there is a need for the Government to play a role in shifting narratives towards financial education being a lifelong endeavour.

Given the inequality present across UK households, Government policy has a particularly important role in bridging inequalities amongst children and young people. The most comprehensive way of doing this is through formal schooling. A critical starting point for boosting financial capability amongst young people is improving delivery of literacy and numeracy skills within schools. In 2018, almost 20% of secondary school leavers left without substantive qualifications (i.e. five GCSEs grade A\* to C, or equivalent technical qualifications).<sup>4</sup> Rates were significantly higher (37%) amongst children receiving free school meals. Poor attainment impacts financial capability by lowering the likelihood of securing a job, and limiting understanding of financial communications. Boosting basic literacy and numeracy skills is crucial to tackling low attainment, and building the basis for strong financial capability.<sup>5</sup>

There is a need for more comprehensive financial resources within schools. Currently, two main sources of information exist. Many financial service providers run sessions in schools and have online resources freely available. While these resources may provide valuable financial knowledge and skills, questions should be raised around vested interests and brand image. The Money and Pensions Services partnered with Martin Lewis to circulate the first ever curriculum-mapped financial education textbooks into secondary schools across England, Wales, and Scotland from June 2021.<sup>6</sup> While this is a positive move, there is a need for more comprehensive resources to support primary schools, and to better support secondary schools.

Consistency in the delivery of financial education across UK schools needs to be improved. Current reports suggest that many schools are hindered by busy timetables, and lack of financial knowledge, skills, resources and confidence amongst teachers.<sup>7</sup> Discrepancies in delivery of financial education also stem from the growing number of free schools and academies in England (currently making up

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<sup>4</sup> [Children's Commissioner, 2018](#). Briefing: the children leaving school with nothing

<sup>5</sup> [Douglas, 2018](#) - Too Many School Leavers Still Don't Have the Literacy Skills Needed to Thrive

<sup>6</sup> [MSE, 2021](#). New FREE guide on what to teach kids about spending money safely online launched

<sup>7</sup> [MaPS, 2022](#). Financial Education in Schools

35% of schools) that have the freedom to shape their own curriculum. This points to the need for more comprehensive training for education providers.

Alongside textbook learning, there is a crucial need for practical hands-on opportunities for money management within schools. Given that many children will not receive pocket money, schools should find creative ways to allow children to consolidate knowledge and to gain experience and responsibility in handling money. For instance, children could gain real-world experience with money through being included in planning and budgeting for class parties or trips, running tuck shops, or setting up small business projects or charity fundraisers. Particular investment could be placed into deprived areas to ensure that as many children as possible have the opportunity to practically handle money.

While improved financial education during childhood can play an important role in increasing financial capability in young adults, it is important to note that ongoing financial education is crucial to sustained financial wellbeing. There is a need for individuals to engage with new financial knowledge and skills as they navigate through different stages of life. For example, it is difficult to equip a school-aged child with the knowledge, skills and confidence to select and purchase a mortgage. This points to the importance of a holistic approach to financial education that spans across the lifetime of a population.

**3. Do you have suggestions for how Government policy can develop and maintain financial capability for adults across the lifespan (young adults, mid-life, elderly) to ensure lifelong financial capability? (Please address each adult age group if necessary).**

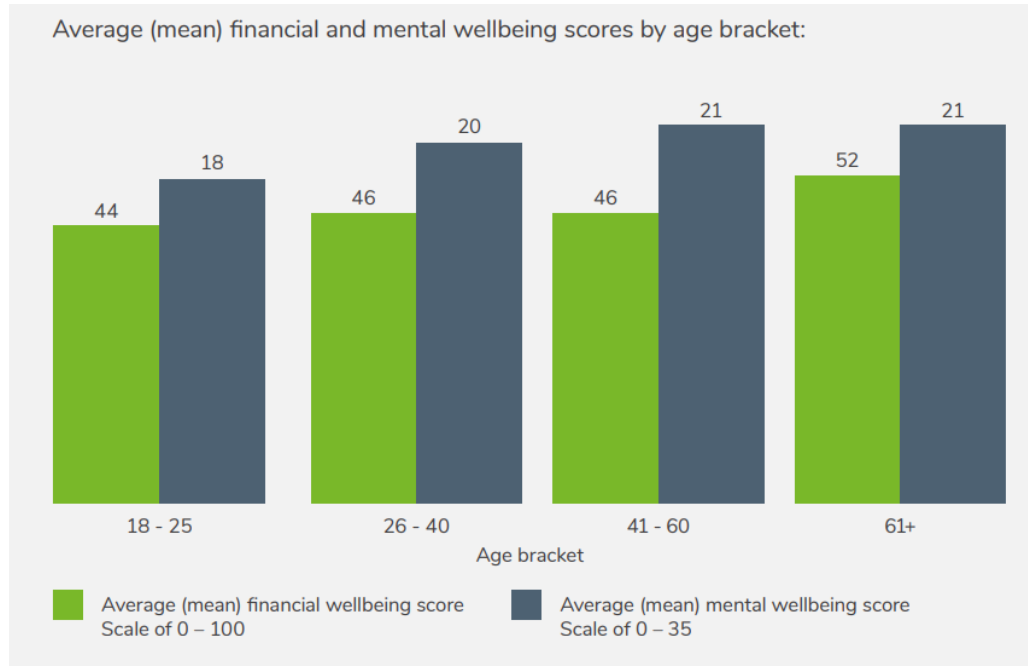
Cross-generational learning is incredibly valuable when delivering financial education. Over the past 14 years, CAP has witnessed the benefits in cross-generational knowledge sharing within CAP Money Courses. Older or more experienced course attendees can often offer valuable financial insight including, for example, the benefits of establishing a pension in early life. Younger or tech-savvy attendees, on the other hand, can often assist others in use of mobile and online applications, such as money comparison sites. As such, cross-generational learning strongly aids the acquisition of financial knowledge and confidence, and the application of financial skills.

Cross-generational learning can also be beneficial in preventing important financial lessons being constrained to certain age groups. Many areas of financial knowledge are applicable to all ages, for example how to build a secure pension. It is also the case that key financial events (e.g. buying a new house, living independently, and preparing for retirement) happen at different ages for different people, and may not fit neatly into pre-categorised age brackets. This makes it valuable to teach financial education cross-generationally.

Whilst cross-generational learning is important, there are certain ages or stages of life that may require a particular policy attention. Research has shown that young people transitioning into financial independence have particularly low financial



confidence, and are facing increasingly difficult housing markets, pensions and employment patterns.<sup>8</sup> CAP found that younger service users were more likely to experience poor financial wellbeing than their older counterparts (see figure 1). A targeted effort towards young adults could therefore be particularly helpful in improving and maintaining UK financial capability.



**Figure 1.** Graph displaying wellbeing scores by age bracket.<sup>9</sup>

Furthermore, there is a need for the Government to change narratives and attitudes around talking openly about money management. While the CAP Money Course receives excellent feedback from delegates, it is sometimes hard to encourage delegates to join the course initially due to the perceptions that it is shameful to admit a lack of financial knowledge or skills, or that it is normal to be bad with money. There is a need, therefore, to shift public perceptions towards an openness to talking and learning about money-management across all ages.

#### **4. What role should the government play in ensuring consumers are educated about and protected against the risks of new financial products?**

The Financial Conduct Authority (FCA) needs to do more to limit the public's risk from new financial products in a timely manner, and to place less reliance on consumer responsibility. Buy-Now-Pay-Later (BNPL) credit, for example, currently lacks sufficient government regulation, meaning that consumers are not subject to a standardised approach in relation to debt collection and customer service. The Government can limit public risk from BNPL through providing supplementary information about credit options and payment methods to facilitate consumer

<sup>8</sup> [MaPS, 2016](#). Young Adults Financial Capability

<sup>9</sup> [CAP, 2021a](#). Shipshape or sinking ship? Problem debt and the effect on a person's financial and mental wellbeing



decision-making. There is a need for intervention of this sort to be done in a timely manner. While the Government has announced plans to introduce regulation for BNPL, many have already fallen deeper into debt as a result of using unregulated BNPL products.

There is a need for the Government to strengthen regulation around advertising of financial products. Financial firms, particularly those whose products are exempt from FCA regulation, need to take responsibility for how their products are marketed by different partner parties, for example through specifying marketing conditions. Where possible, the Government should seek to apply the financial promotions regime to relevant financial products in order to better protect consumers.<sup>10</sup>

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<sup>10</sup> [CAP, 202b1](#). Regulating Buy-Now Pay-Later

### **About Christians Against Poverty (CAP)**

Christians Against Poverty (CAP) is a Christian charity tackling poverty in communities across the UK through free debt help and local community groups. CAP provides award-winning free debt help through local churches. Each church's CAP Debt Centre offers emotional and practical support, while our head office team in Bradford provides bespoke debt advice and a plan to help people get out of debt.

CAP also offers community groups dedicated to tackling poverty at the root. These are run through local churches, and cover topics such as interview skills, applying for a job and writing a CV, how to budget, making money go further and key life skills.

### **CAP Money Course**

The CAP Money Course is a free financial education course which provides attendees with the opportunity to develop financial knowledge, skills and confidence. The course includes group teaching on attitudes towards money, building and balancing a budget, navigating credit, and saving. Since its formation in 2008, 15,000 courses have been delivered, reaching 75,382 individuals.

### **CAP Life Skills**

CAP Life Skills is a free, financial education course which provides accessible and holistic teaching on essential life and money management skills. The course provides group teaching on how to eat well on a budget, relationship management, and how to make your money go further. Alongside community learning, the course offers attendees the opportunity to receive personalised 1-2-1 support in building a budget. CAP currently runs 137 Life Skills courses, and has reached 4,934 individuals since its launch in 2017.

## Requests for further information

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