

## Impact case study (REF3b)

<b>Institution:</b> University of Bristol
<b>Unit of Assessment:</b> 17 – Geography, Environmental Studies and Archaeology
<b>Title of case study:</b> Improving individuals' financial knowledge, skills and behaviours
<p><b>1. Summary of the impact</b></p> <p>The Personal Finance Research Centre (PFRC) at the University of Bristol conducted research between 2004 and 2006 to develop the UK's first quantitative baseline survey of financial capability. The survey was a significant departure from previous methodologies in that it not only assessed knowledge, but also skills and behaviours. The survey results became the basis for the Financial Services Authority's (FSA) understanding of financial capability in the UK, and PFRC's analysis of the survey findings were used to set priorities for its National Strategy for Financial Capability, worth £90 million. One of the findings of the survey was that young people are much less financially capable than their elders. As a result, a priority within the National Strategy was to educate young people. A number of programs were put in place including <i>Learning Money Matters</i>, which offered free advice, support and resources to schools between 2006 and 2011. The program successfully reached over 2 million young people in 4,259 schools, and in 2011 economic wellbeing and financial capability became a statutory part of school curriculum in England. Overall, the FSA strategy was deemed successful, exceeding its target of reaching 10 million people. International bodies regard the FSA's baseline survey as a model for their own work and the UK methodology has been adopted by countries including Ireland, Canada and the Netherlands. The World Bank has led a substantial research and evaluation programme in low and middle income countries that uses the UK approach.</p>
<p><b>2. Underpinning research</b></p> <p><i>Nature of research insights/findings</i></p> <p>In 2004, the Personal Finance Research Centre (PFRC) won a competitive tender to develop a baseline measure of financial capability for the UK's Financial Services Authority (FSA), which included generating a survey questionnaire to capture the complex construct of financial capability. The concept of financial capability developed from financial literacy and as a result, previous surveys had focussed largely on testing people's knowledge, with little attention given to skills or behaviours. However, PFRC's research showed that financial capability was a multi-dimensional concept, which encompassed four different domains: managing money, planning ahead, making choices and getting help [1]. It also highlighted the importance of assessing people's financial capability in the context of their socio-economic environment [1].</p> <p>PFRC also designed a survey methodology to capture information about consumer attitudes and behaviours in relation to the four domains of financial capability. A social research agency, TNS-BMRB, used the questionnaire and methodology to conduct a national survey of the UK adult population. The survey was a significant departure from previous methodologies in its comprehensive approach and was the first quantitative baseline survey of financial capability in the UK. In a review of the FSA in 2007, the National Audit Office found the survey to be "comprehensive and professional" putting the UK "ahead of its international peers in financial capability" [a].</p> <p>PFRC was subsequently commissioned by the FSA to analyse the survey data in order to create a scoring mechanism to identify people's relative strengths and weaknesses in the four financial capability domains, as well as to describe the types of people most likely to display higher or lower levels of financial capability. The results of the analysis [2, 3] established a baseline measure of financial capability in terms of how well people: make ends meet; keep track of their finances; plan ahead; choose financial products; and, stay informed about financial matters. Overall, the survey revealed a picture in which many people from all backgrounds and all levels of income lack the ability to manage their finances effectively.</p> <p>The results provided rich and complex data, from which four main themes stood out:</p> <ul style="list-style-type: none"> <li>• Large numbers of people, from all sections of society, are not taking basic steps to plan ahead, such as saving sufficiently for their retirement or putting money aside for the future.</li> <li>• Over-indebtedness is generally not a problem that affects a large proportion of the population, but for those who become over-indebted the implications can be severe. Many more people may find themselves in trouble in an economic downturn.</li> </ul>

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- Many people are taking on financial risks without realising it, because they struggle to choose products that truly meet their needs.
- The under-40s, on whom some of the greatest demands are now placed, are typically much less financially capable than their elders, even allowing for their generally lower levels of income and experience in dealing with financial institutions.

The FSA was especially concerned that financial capability is weakest among younger age groups, even allowing for their relative inexperience in dealing with financial institutions. In particular, it was felt that the lack of financial capability in planning ahead could be storing up potential problems for the future.

*What the underpinning research produced*

In addition to the two FSA research reports [1, 2], the Centre has authored research reports based on its financial capability work for the Consumer Council for Northern Ireland (2007), the Basic Skills Agency (2007), Genworth Financial (2008) and the OECD [4], as well as one peer-reviewed academic paper [3]. PFRC also conducted qualitative research for the Irish Financial Regulator, to test and adapt the UK approach to the Irish population [b]. In addition, PFRC used a similar approach to conceptualise legal capability in a study carried out for Law for Life: the Foundation for Public Legal Education, which was funded by the Ministry of Justice [c].

*Grants*

Kempson, E. (2004-2006) *Measuring financial capability and levels of financial capability in the UK*, Financial Services Authority, £147,850.

*Dates*

The developmental study to design the baseline survey ran from December 2004 to February 2005, with fieldwork for the baseline survey undertaken between July and September 2005. The research has been developed and published in various forms between 2005 and 2010.

*Key researchers*

Conceptualisation, development and analysis of the survey was conducted entirely at the University of Bristol by: Sharon Collard (appointed 1998), Professor Elaine Kempson CBE (appointed 1998), Andrea Finney (appointed 2007), Adele Atkinson (appointed 2004, left 2010), Professor Stephen McKay (appointed 2005, left 2007).

**3. References to the research***Outputs*

[1] Kempson E., Collard S., Moore N. (2005) *Measuring financial capability: an exploratory study*. Consumer Research Report 37. London: Financial Services Authority.

[www.bristol.ac.uk/geography/research/pfrc/themes/fincap/pfrc0510.pdf](http://www.bristol.ac.uk/geography/research/pfrc/themes/fincap/pfrc0510.pdf)

[2] Atkinson A., McKay S., Collard S., Kempson E. (2006) *Levels of financial capability in the UK: results of a baseline survey*. Consumer Research Report 47. London: Financial Services Authority (144 pages). [www.fsa.gov.uk/pubs/consumer-research/crpr47.pdf](http://www.fsa.gov.uk/pubs/consumer-research/crpr47.pdf)

[3] Atkinson A., McKay S., Collard S., Kempson E. (2007) Levels of Financial Capability in the UK. *Public Money and Management* 27 (1): 29-36. DOI [10.1111/j.1467-9302.2007.00552.x](https://doi.org/10.1111/j.1467-9302.2007.00552.x).

[4] Kempson, E. (2010) Framework for the development of financial literacy baseline surveys: a first international comparative analysis, OECD. DOI [10.1787/5kmddpz7m9zq-en](https://doi.org/10.1787/5kmddpz7m9zq-en).

**4. Details of the impact***Context*

One of the four main objectives of the FSA was to promote public understanding of the financial system. In 2003, the FSA launched a new initiative to develop and implement a national strategy for financial capability. This included the establishment of a Financial Capability Steering Group, which identified seven priorities to be explored by a series of specially convened working groups. In the 2004 progress report, the FSA stated that it would commission a comprehensive baseline survey to establish the current state of financial capability in the UK, which would also be used to inform the evaluation of individual pilot projects set up within the strategy.

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*Nature of the impact*

In designing and analysing the financial capability baseline survey, PFRC has made a significant contribution to national policy. The baseline survey was used by the FSA to “inform its priorities for the national strategy and its wider regulatory work to help retail consumers achieve a fair deal [a, pg 52]. The FSA’s strategy covered the period 2006-11 and was worth £90 million [a, pg 51]. The strategy was deemed successful: it exceeded its target of reaching 10 million people and changed the way policy-makers think about financial capability and its role in UK society [d, pg 8].

Based on the baseline survey findings, the FSA targeted interventions and consumer communications at specific demographic or socio-economic groups [e, pg 12]:

- The survey showed that young adults are the least financially capable, yet they face great financial responsibilities. In response, the FSA delivered *Learning Money Matters* [e, pg 6], where between 2006 and 2011 free advice, support and resources was offered to schools and teachers. The program successfully reached over 2 million young people in 4,259 schools [f]. Evaluation of *Learning Money Matters* found that personal finance education had a positive impact on students’ attitudes to saving and borrowing and their confidence in dealing with money [g].
- Economic wellbeing and financial capability were incorporated into Personal Social Health & Economic (PSHE) education. Though PSHE remains outside the national curriculum (non-statutory), the Department for Education provides guidance and end of key stage statements specific to financial capability for key stage 3 and 4 as part of the Secondary National Curriculum [h]. The guidance for teaching financial capability in the secondary curriculum for key stage 3 and 4 refers to output 2 to help define what the guidelines are trying to achieve [i, pg. 4].
- The *Money Doctors* scheme focused on young people in higher education. Two-thirds of students (65%) said they had taken action to improve their financial situation or planned to do so as a result of attending a face-to-face *Money Doctor’s* financial advice session [j].
- New parents were also targeted through the *Parents Guide to Money*. Early evaluation showed that two-thirds of new parents had taken action to make a positive change to their financial situation within three months of receiving the *Guide*. [k].
- As part of its strategy to address the financial capability deficits identified in the baseline survey, the FSA set up a £12 million *Money Guidance Pathfinder* to deliver financial guidance to the UK public on a range of personal finance issues. Over 220,000 people were helped by the Pathfinder in a 12 month period. Evaluation of the *Pathfinder* found that nearly three quarters of users took action to improve their financial situation after using the service [l]. The service was subsequently rolled out nationally through the Money Advice Service (used by 1.3 million people in 2011/12 alone [m]).

*Reach of the impact*

The methodology developed by PFRC to measure financial capability has since been adopted by other countries. The Financial Regulator of Ireland commissioned the PFRC to carry out qualitative research to adapt the UK survey to the Irish context prior to a national survey of financial capability in Ireland [b]. Canada [n], Australia [o, pg 12] and the Netherlands [o, pg 12] have also used and adapted the UK approach. The approach has also been adapted for use in the emerging area of public legal education, to conceptualise domains of legal capability and thus provide a framework for the future delivery and evaluation of public legal education [c].

Kempson has conducted work for the Organisation for Economic Co-operation and Development on the survey measurement of financial capability, with the aim of establishing robust and comparable international data [4].

The World Bank selected and used the empirical approach developed by PFRC in a substantial research and evaluation programme in low and middle income countries in Africa, Latin America, the Middle East and Asia Pacific regions [p]. Collard and Kempson were advisers to the World Bank on this project, and Kempson was lead author of the final programme report [p]. The World Bank programme furthered the conceptualisation of financial capability by incorporating psychological traits into the measure financial capability; provided much-needed evidence on the

effectiveness of different financial education initiatives; and produced a Toolkit for the evaluation of financial education to help improve the evidence base.

### 5. Sources to corroborate the impact

[a] National Audit Office (2007) *The Financial Services Authority: A Review under Section 12 of the Financial Services and Markets Act 2000*. London: NAO.

<[www.nao.org.uk/publications/0607/financial\\_services\\_authority.aspx](http://www.nao.org.uk/publications/0607/financial_services_authority.aspx)> [Accessed 05.09.13].

[b] Financial Regulator (2009), *Financial capability in Ireland: An overview*.

<[www.financialregulator.ie/publications/Documents/Financial\\_Capability\\_An\\_Overview.pdf](http://www.financialregulator.ie/publications/Documents/Financial_Capability_An_Overview.pdf)>.

[c] Collard, S., Deeming, C., Wintersteiger, L., Jones, M. and Seargent, J. (2011) *Public Legal Education Evaluation Framework*. London: Law for Life.

<[www.bristol.ac.uk/geography/research/pfrc/themes/advice/pfrc1201.pdf](http://www.bristol.ac.uk/geography/research/pfrc/themes/advice/pfrc1201.pdf)>.

[d] Money Advice Service (2013) *UK Financial Capability Strategy: Call for evidence*. London: Money Advice Service. <<https://www.moneyadvice.service.org.uk/files/the-money-advice-service-uk-financial-capability-call-for-evidence.pdf>>.

[e] Financial Services Authority (2006) *Financial Capability in the UK: Delivering Change*. London: FSA. <[www.fsa.gov.uk/static/pubs/other/fincap\\_delivering.pdf](http://www.fsa.gov.uk/static/pubs/other/fincap_delivering.pdf)>.

[f] Personal Finance Education Group (2012) *Learning Money Matters for Secondary Schools*.

<[www.pfeg.org/projects-funding/projects/learning-money-matters-secondary-schools](http://www.pfeg.org/projects-funding/projects/learning-money-matters-secondary-schools)> [Accessed 23.10.12].

[g] Spielhofer, T., Kerr, D. and Gardiner, C. (2009) *Evaluation of Learning Money Matters (LMM)*.

Slough: NFER. <[www.nfer.ac.uk/nfer/publications/LMM01/LMM01.pdf](http://www.nfer.ac.uk/nfer/publications/LMM01/LMM01.pdf)>

[h] Department for Education (25 Nov 2011) *Personal, social health and economic education (PSHEE): Economic well-being and financial capability*.

<[www.education.gov.uk/schools/teachingandlearning/curriculum/secondary/b00198880/pshee/ks3/economic](http://www.education.gov.uk/schools/teachingandlearning/curriculum/secondary/b00198880/pshee/ks3/economic)> [Accessed 21.05.13].

[i] Department for Children, Schools and Families (2008) *Guidance on financial capability in the secondary curriculum: key stage 3 and 4*. <<http://dera.ioe.ac.uk/8551/1/7864-DCSF-Guide%20to%20Finance.pdf>>.

[j] London South Bank University (undated) *Evaluating the impact: The Money Doctors approach to student financial guidance*. London: Consumer Financial Education Body.

[http://londonsouthbanksu.com/files/money\\_doctors\\_evaluation.pdf](http://londonsouthbanksu.com/files/money_doctors_evaluation.pdf).

[k] IFF Research Limited (2008) *Parent's Guide to Money*. (Consumer Research Report 63).

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[l] Consumer Financial Education Body (2010) *The Money Guidance Pathfinder: Key findings and lessons learned*. London: CFEB.

<[www.bris.ac.uk/geography/research/pfrc/themes/advice/pfrc1003.pdf](http://www.bris.ac.uk/geography/research/pfrc/themes/advice/pfrc1003.pdf)>.

[m] Money Advice Service (2012) *Annual Review 2011/12*. London: Money Advice Service/

<[https://www.moneyadvice.service.org.uk/files/mas-annual-review\\_2012.pdf](https://www.moneyadvice.service.org.uk/files/mas-annual-review_2012.pdf)>.

[n] McKay, S. (2011), *Understanding Financial Capability in Canada*. Prepared for the Canadian Taskforce on Financial Literacy <[http://publications.gc.ca/collections/collection\\_2011/fin/F2-213-2011-eng.pdf](http://publications.gc.ca/collections/collection_2011/fin/F2-213-2011-eng.pdf)>

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