



HOUSE OF LORDS

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Inquiry on

FINANCIAL EXCLUSION

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Questions 1 - 12

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10.40 am

Witness: Ms Joanna Elson OBE

USE OF THE TRANSCRIPT

1. This is a corrected transcript of evidence taken in public and webcast on www.parliamentlive.tv.

Members present

Baroness Tyler of Enfield (Chairman)
Viscount Brookeborough
Lord Fellowes
Lord Harrison
Lord Haskel
Lord Holmes of Richmond
Lord Kirkwood of Kirkhope
Lord McKenzie of Luton
Lord Northbrook
Baroness Primarolo
Lord Shinkwin

Examination of Witness

Ms Joanna Elson OBE, Chief Executive, Money Advice Trust

Q1 The Chairman: A very warm welcome to this evidence session of the Select Committee on Financial Exclusion. You have in front of you a list of interests that have been declared by members of the Committee. This meeting is being broadcast live via the parliamentary website. A transcript will be taken and published on the Committee website, and you will have the opportunity to make any necessary corrections to it. You are the Committee's first witness. I have a couple of things to say first. Most unusually, we have a debate in the Lords on the EU at 11.30 am. A couple of members of the Committee will need to leave well before then, because in order to speak in that debate you have to be present for the opening speeches. Also, because this is our first public session, a number of members who have declared relevant interests will need to put them on the record by making an oral declaration before they ask their first question. I therefore declare an interest as chair of the Make Every Adult Matter coalition of charities helping people with complex needs.

I will kick off with the first question. From your experience, what do you feel are the causes of financial exclusion are and who is most affected by it?

Joanna Elson: There are, of course, a range of causes that are linked to low income, many of them interrelated. We could talk about vulnerability of various kinds, which you will know well from your work on charities, and technology as a barrier. We could also talk about low financial capability, and perhaps we will. Debt is both a cause and a consequence of financial exclusion. One example of a cause is a poor credit rating caused by arrears on mainstream

loans, which will make access to that kind of mainstream credit difficult or impossible. Some people then turn to high-cost short-term lenders or, worse, illegal lenders. That can be a cause of debt but it can also be a consequence, because if you have no savings to cushion income shocks, that can lead to problem debt.

There are three factors worth highlighting that I think militate against engaging with financial services, which is what people need to do. The first is products and whether they are available to meet the needs of low-income consumers. They are not, in many cases. The Financial Inclusion Commission found that home contents insurance, for example, is seen by many as unaffordable or irrelevant. The commission's statistic was that the bottom 50% of income distribution had home contents insurance compared to four out of five at the top of income distribution.

We have already talked about the lack of affordable credit. The first factor—products not meeting the needs of low-income consumers—can be compounded by a lack of trust in financial services, so even where products meet people's needs they may not want to use them. We had a breakthrough recently in access to bank accounts. The Treasury has worked with the trade associations for banks to ensure that people on low incomes can access fee-free basic bank accounts from nine banks. Perhaps ironically, in view of the fact that there will be an EU debate in the House of Lords, that was pre-empted by a piece of EU legislation. That has been a breakthrough, so people will now be able to have a bank account and not be caught out by charges for it. However, the evidence shows that, even though they can do that, half of the 1 million to 2 million people who do not have a bank account do not want one, either because they are worried about past experiences or because they simply do not trust that the services will work for them.

The third factor that militates against this population using financial services is that access to them can be difficult. Sometimes that is a question of unintended consequences. The legislation and regulation on anti-money laundering, for example, makes it difficult for people to open bank accounts. Many of you will know that to open a bank account you have to provide certain documentation. At a policy level, the major banks will give you a big list of documents that you can use to open a bank account, but when you go into a branch you may well find that bank staff are, perhaps understandably, wary of anything that looks non-standard. Professor Paul Jones of Liverpool University told the Financial Inclusion Commission that he had talked to people in Liverpool who told him, "You have to have a

letter from God to open an account round here". That gives you a flavour of how difficult it is. That may be enough for now about the causes.

I can answer the question on who is most affected pretty quickly. It is about people on low incomes and in vulnerable circumstances, often because of a life shock, such as lone parents, people who are new to the country, people with mental health problems and people with disabilities.

The Chairman: Thank you. Because this has come up in previous conversations that we have had, are you aware of any gender dimension to this?

Joanna Elson: Not that I am aware of, no.

Q2 Lord Haskel: Obviously financial capability plays a big role in this. How do you define financial capability, and what role does it play in financial exclusion?

Joanna Elson: I define financial capability as the ability to manage your money well both daily and when you are experiencing financial shocks such as financial difficulty or a job loss—the kinds of things that people experience. Of course, this is about not just skills and knowledge but attitudes and behaviours. At a time when people are bombarded with marketing messages to spend and to borrow, it is crucial that they have the skills to pick through those and understand what will be best for them.

On the definition of financial capability, at a time when public policy means that people have to be in control of their own money—pension freedoms mean that people have very big decisions to take, and universal credit means that people have to manage lump sums that they never had to manage before—these sorts of skills are vital.

The final part of your question was: what role does financial capability play in financial exclusion? Having low financial capability can act as a barrier to engagement with financial services; if you do not speak the language and do not understand the jargon you are unlikely to want to engage. It can prevent people getting the best deal. They are not going to know how to shop around. They are unlikely to be able to avoid unnecessary costs such as missed-payment fees or overdraft charges. Clearly, it can lead to financial difficulty and problem debt.

There are two other points to make. First, many people on low incomes budget very effectively. I do not want to give the impression that people are not doing the right thing. Evidence from Professor Elaine Kempson and others shows that many people manage very well on very tight margins, but circumstances often militate against them. You will know

about the poverty premium: if you do not have access to a bank account, you pay more for services—to put it very generally.

Finally, financial capability is only one side of the equation. If we are going to ensure that people have the skills to deal with financial services, we have to make sure that financial services and the regulation surrounding them make it as easy as possible. They must not be full of jargon and must be presented clearly. Those two things need to meet in the middle, in my view.

Lord Haskel: Some people may be budgeting well, but how can we increase the number?

Joanna Elson: It is about ensuring that people have the right financial skills right from learning at primary school to when they are planning for retirement. There must be a proper, planned strategy to increase the skills of this country.

Q3 Lord Shinkwin: My question is in two parts. First, I would be very interested to hear what you consider to be the main barriers to improving financial capability. Secondly, how effective do you think interventions by government, organisations such as the Money Advice Service, the third sector and business have been in overcoming those barriers?

Joanna Elson: One of the barriers is reaching people right at the start of when they are likely to engage with finances. We know from research that some financial behaviours are already established by age seven, so starting at primary school is important. Reaching people is a barrier, as is engaging people. The jargon is about “teachable moments”—it is finding times in people’s lives when they will engage. We all know that people are busy, and in those precious few hours of leisure time how many of us are going to think, “Right, I really must learn more about how to manage my money”? So you have to capture them either at a positive moment in their life, when they are looking for help—that might be when they are getting their first job, setting up a home, planning for retirement or having a child—or at a negative moment in their life. At the Money Advice Trust we run services for people in debt, the National Debtline and the Business Debtline, and we find that the whole process of engaging people in what is a very difficult circumstance for them—working out what their income and expenditure really are, how they can maximise their income, whether they are getting all the tax credits and benefits they are entitled to, how can they reduce their expenditure, whether they are on the best deal for utilities—equips people to better deal with their financial lives going forward. When we survey them, that is what they say: the vast majority feel better equipped. Catching people in both the positive periods of their lives and

the negative ones and making sure that they learn is absolutely vital. Knowing what works is really important. If we are going to have a strategy, we have to focus on knowing what works.

I will talk in a minute, as you asked me to, about the interventions that have already been made. One issue is that no one has looked right across them and said, “There is some really good stuff there. How can we scale that up?” or, “Actually, that didn’t work. Let’s not bother with that”. Therefore, it is about reaching people, knowing what works and persuading government and others to invest at scale in making this work.

On the question of existing practice, there has been some really good practice with banks, other financial services and charities. There have been programmes in schools and quite significant scales of investment from banks and others. Some of those have been effective and successful but too much of it is in silos, is patchily funded, is not integrated and there is no way of measuring how successful the totality is. I cannot stress enough the importance of knowing what works and then putting it into practice in a planned and sustainable way.

Baroness Primarolo: Joanna, you talked about measuring. You identified what you thought were the causes of financial exclusion. You went on to talk about improving capacity. I am interested in what you measure it against—the baseline—and the point you have just made about making sure that it works and it improves. Can you say something about the assessments of where the baseline is so that we can get a sense of measuring outcomes and their success?

Joanna Elson: For financial capability?

Baroness Primarolo: Yes.

Joanna Elson: Clearly, we need an outcomes-based evaluation for financial capability. We need to understand whether ultimately, the decisions people make are better because they have had the advice. That is not an easy thing to achieve because with many of these decisions you will not actually know whether it is the right decision—that is the thing about financial decisions, isn’t it? If it is a mortgage or a pension, it will be a long time before you know. So we will need a mixture of qualitative and quantitative approaches to get at this. There are some straightforward things that you could measure—for example, there is a statistic that only 22% of people can pick out the balance on a bank statement. You could easily measure things like that. Part of that goes back to what I said about it being not only about skilling people up to be able to understand things, but about financial services and the

regulations surrounding them making that as straightforward as possible. There is a lot of work to do, both qualitative and quantitative.

Q4 Lord Northbrook: The Government have proposed significant changes in the provision of public financial guidance, with the aim of ensuring that all consumers can access the help they need to make effective financial decisions throughout their lives. I have three questions on this. First, what is your view of the proposals? Secondly, is the aim correct? Thirdly, is it likely to be realised by these proposals?

Joanna Elson: I think the aim is correct, which is to get people quickly to the help that they need, whatever that is. The Treasury's document is a good start. Whether or not it is successful will depend on a number of factors. Partly that is about the balance between the strands of help we are talking about. You have crisis advice for people in difficulty and then you have money guidance throughout life, including pensions, and then somewhere over here you have financial capability, because that is not currently included in the Government's plan. Those things need to be thought through. We need to focus on need.

In the area that I know best—debt advice—the demand is increasing. The existing agencies struggle to deal with it and many of the fee-charging agencies which provide debt advice are—rightly, in my view—shutting up shop because of more stringent regulation on them. With consumer credit rising, with uncertainty from the Brexit decision and elsewhere, there will be a significant shakeout of that market. More resources are likely to be available for the crisis end of the market. So a factor in how well these proposals will work will be how well the body that implements them is able to juggle what is needed at any one time—crisis advice or this broad approach of skilling people up and giving them guidance across their working and other lives.

A second factor is careful commissioning. The Government's document talks about commissioning advice, and that is right. The Government are right to focus resource on the front line, which is what is suggested. The front line is stretched already, as many of you will know, and the advice charities increasingly work together to make the best use of their resources and to ensure that the help available is offered as seamlessly as possible to people who need it. Commissioning needs to encourage collaboration. I worry that a pure commissioning environment will lead to a kind of arms race whereby the various charities are building up their procurement and tendering arms, rather than getting out there and

helping the people in need. A careful approach to commissioning that encourages collaboration will be important.

A final factor in what the Government have proposed is the proposal to slim down from three bodies to two. In my view, that is clearly preferable to the current position of having three. But if we are going to have two, co-ordination between them must be key. We have issues where things fall between the cracks. For example, if we think about debt advice and pensions advice, if you are of a certain age—middle-aged and above, let us say—and seeking debt advice, your pension is going to be a significant part of that and yet the regulation that governs debt advice means that you cannot stray into pensions advice, and vice versa. We need to make sure that those sorts of things do not get in the way of people getting the help they need. Those are the factors I would draw attention to in terms of how successful the policy is likely to be.

Lord Haskel: You have put a lot of emphasis on advice. If that advice requires money, do you advise people where to get it from—charities, the Government or wherever?

Joanna Elson: Yes, indeed. I talked about income and expenditure—people boosting their income and reducing their expenditure as much as they can when they are in crisis. Part of boosting income would be looking at things such as energy companies that have trust funds to help people pay their bills if they get into difficulty. There is a really good charity called Turn2us, which advises people about, for example, Armed Forces charities which offer support for people in particular circumstances. So yes, boosting people's income would be important.

Lord Harrison: Can you say a little more about the slimming down from three to two? Normally, alarm bells ring with me when I see the Government trying to slim things down but you are quite favourable to this.

Joanna Elson: I am favourable to slimming down. There are three bodies at the moment: the Money Advice Service, Pension Wise and the Pensions Advisory Service. There will be a successor body to the Money Advice Service, which will look after the money end of things—money guidance and debt—and then there will be a pensions body, which looks after pensions.

Lord Harrison: Have resources been reduced to make this happen?

Joanna Elson: Certainly with regard to the money guidance part of it, we have been assured that in the debt area—where we are worried, as you can tell, about facing what is to come

and ensuring that people have the help they need—the resources will pretty much stay as they are, at least for the foreseeable future.

Q5 Viscount Brookeborough: I understand that the Money Advice Service is separate from you, the Money Advice Trust. The service published the *Financial Capability Strategy for the UK* in October 2015. What value does having a national strategy add? Should there continue to be a national strategy? If so, what format should it take?

Joanna Elson: I think I have said already that we need to be able to deliver financial skills training right from primary school through to planning for retirement at teachable moments and at key life stages in people's lives. If we are to do that, despite the many excellent initiatives out there, we need a strategy and a plan to join all those initiatives together. Without one, we have a piecemeal and uneven approach: lots of good practice but practice that does not reach everybody who needs it, patchy funding and no definitive sense of what really works. The UK financial capability strategy is a good start. It has a solid framework; it has a test and learn approach, which seems sensible; and it has an impressive board made up of experts and people who know what they are talking about. It will collect data over the next 10 years to determine what works. What is missing from it is some measurable objectives. If it is to achieve what it needs to achieve, it definitely needs those. Having determined what works, it will need an agreement on who takes the lead. Somebody has to sit above that and say how it will work and how it will be measured. Then, of course, it will need funding, which has to be co-ordinated and sustained funding if we are to reach the end of this journey.

Viscount Brookeborough: Your trust is primarily involved with people who are in debt.

Joanna Elson: That is right.

Viscount Brookeborough: So obviously, you will have a view on it. There seem to be two clear and different sides to this, two different groups of people. One group is the people we want to give financial management skills to at a young age. The other is people who are in debt. From what we have read so far, there seems to be a lot more emphasis on those who are in debt. I agree that they are a crucial part, because the population is ageing and there will be a problem. However, I am not sure from what we have seen that there is a clear way of teaching young people in such a way that they pick it up. If we are going to do that, surely that is the one quantifiable thing: that no child should leave school without some idea of how to manage their finances, even if they only practise saving £1 a week in school. As time

goes on, every person should have that ability. Therefore, the problems with debt will always be there, but you will not be dealing to the same extent with people who are in debt and who have simply never had a bank account and never saved a penny. Is there enough emphasis on that?

Joanna Elson: I absolutely agree. The difficulty is how you achieve that. We have had financial education on the national curriculum in England since September 2014. It was already on the curriculum in Scotland, Northern Ireland and Wales.

Viscount Brookeborough: But I think I read that there were no exams on it. It is just a lesson on a subject, during which they can all go to sleep.

Joanna Elson: That is the issue. It is on the curriculum but only in secondary schools, not primary schools. It is only in maintained schools, so if you are in an academy, a free school or a private school it is not there for you. It is patchily delivered; surveys showed that children had been six and 200 hours on this part of the curriculum. In addition, two findings from the all-party parliamentary group's report—I think you are hearing from the authors of that report later, so I will not steal their thunder—were that there is a big gap in teacher confidence and skills; only 17% of teachers had had any training on it. It really needs to focus more on real-life contexts. I cannot stress that enough. We need to engage children. It might be about how you choose your mobile phone tariff. It has to be something that applies to them and they can use their brain to engage with it. Simply talking about maths will not deliver it, in my view.

Viscount Brookeborough: I should have declared an interest, in that I am in business in Northern Ireland in farming and tourism. Of course, I have an account and I have trouble getting loans.

The Chairman: We are going to pursue this area in a little more depth in a few minutes.

Q6 Lord Harrison: How should the nation's financial capability be monitored? In a sense, you have partly addressed that question. Can I invoke the proposed new money guidance body which the Government are thinking about? How might it monitor the impact of interventions?

Joanna Elson: There is a question still about who will do the monitoring. In a sense, I do not mind who does it as long as somebody does. Certainly there is a bit of a gap in the Treasury's guidance document entitled *Public Finance Guidance* when it comes to financial capability.

There needs to be a decision on who will do it, whether that is the new money guidance body or somebody else.

We talked before about how the monitoring happens. Ultimately it is about how people's financial decisions are made. Are they making better decisions now? We know that the consequences of the decisions that people make now are pretty enormous. Now that they have these pension freedoms, if they make the wrong choice they could be in penury in their old age. Universal credit is a huge new issue in people's lives. It could be a force for good; most people think that the idea of bringing benefits together and paying them in a way that is more like work could help people. If it is properly embedded and delivered, it could be a force for good. Equally, however, it could exclude people if they do not have the financial skills to make it work. The monitoring has to be about how people make better decisions and whether they have done.

Lord Harrison: Could you give us an example of monitoring that then suggests a very good idea, and how that idea is taken up and spread to the relevant institutions? I would love to have a practical example of somebody's good idea that you nicked, that was then put into the system and then actually helped.

Joanna Elson: You are talking about financial capability.

Lord Harrison: Yes.

Joanna Elson: Some of the really good ideas that have been discussed in schools by financial services companies, charities and a combination of them have used real-life situations. If you go into a primary school and see a financial capability lesson, it will be about how children choose to use their pocket money, what they choose to spend it on. If they save it for a little while, could they buy something later? It is those very practical things that people need to learn early that we can share.

Lord Harrison: What is the route to throw that up further so that it is absorbed by other schools, for instance?

Joanna Elson: It is about having leadership so that it is shared more widely. The New Zealand Ministry of Education has the responsibility for ensuring that financial education is delivered effectively through the curriculum. At the moment we have a lot of good interventions but nobody sitting over them saying, "That works there. Let's spread that", exactly as you say.

Lord Haskel: Surely monitoring also means measuring, so how would you measure it? Would you measure it by the number of people getting into debt or the number of people going bankrupt?

Joanna Elson: You could measure it in a number of ways. First, do people understand the material that is put in front of them? When they are old enough to open a bank account, do they understand how to do that and how to choose one? If they are thinking about credit, do they understand the decisions that they have to take? There is some quite worrying evidence, which you might hear about in the next session, that when young people reach 16 to 24 and are thinking about borrowing, they are more likely to go for high-cost credit than the mainstream alternatives, because the marketing is very slick, it is all done online and it looks very attractive. How do we ensure that people make good decisions? You can measure people's understanding, but, as I say, part of the difficulty is measuring the impact of their decisions when many of them are long term. If you have a mixture of the quantitative and qualitative, you will probably get the best result.

Q7 Lord Kirkwood of Kirkhope: I declare an interest as a governor of the Pensions Policy Institute and a continuing member of the Financial Inclusion Commission.

I want to ask you about the core role that you think government should play in an ideal world, but I preface that question by inviting you to try to extract some lessons from our experience in this important policy area since 2010, because it has been two steps forwards and three steps back some of the time, particularly in relation to the work of the Money Advice Service. Can we draw anything from that about how in future we can avoid some of the missed opportunities? We went into the loop of the Farnish report and all that, which did not help because it paralysed some of the excellent work that was being developed. Is there anything that we can recommend as a future-proof against getting into these kinds of binds in the future? My question is about being able, in an ideal world, to dictate the role that central government should play, bearing in mind that this is a United Kingdom policy area. Coming from where I come from, you might expect me to say that. It would be really helpful if you could help us with that thought.

Joanna Elson: The Government have to take leadership here. Part of the issue is that this policy area has been left to the Money Advice Service, which had an uncertain status. Whereas various government departments have been involved in one way and another—we have talked about universal credit and how important that is; the Department for

Communities and Local Government has an impact on how local government collects debt and what impact that has on people's finances; and, of course, the Treasury has an impact in lots of different ways—nobody is pulling that together and saying, “We are all facing in the same direction, trying to include everybody in society and raise their financial skills so that we have a more inclusive society and everybody is better off as a result”. That is the short answer.

If you want me to reflect on the Money Advice Service, I have one thing to say about that. As you say, it has had a troubled and difficult past, which is not worth delving into too much, but one thing that I think everybody probably agrees did not work was that for one reason or another, the Money Advice Service focused on marketing itself as being the solution and where people should come, rather than getting resources to the front line, where people need to go. I think the Government have got that message because it is pretty clear in the PFG review that they want the resources to go to the front line, but that is a clear message.

Lord Kirkwood of Kirkhope: That is very important and a helpful answer. Flowing from that, do you think that there should be a Minister—presumably you would say that they have to be from the Treasury—who needs to be slightly higher up the ministerial food chain, who gets up every morning thinking about this policy? I think that Andrea Leadsom, a Minister of whom you may have heard, has recently had a responsibility for this. Should the person in that role have a higher ranking in the Treasury?

Joanna Elson: That would be a good step forward. They could then draw on champions in a range of other departments to ensure that everybody was focused on this. They could also liaise with the regulators of financial services because they have a clear role to play in ensuring that financial services are meeting people half way. They could be liaising with the outside world, too. There is a lot of experience in this area but it has not been at the forefront of the Government's mind. In 2010, when the Financial Inclusion Taskforce came to an end, we had had a real focus, including monitoring of the numbers, so we knew how many had bank accounts and what the trends were and so on. That work still happens and I declare an interest as a trustee of the Friends Provident Foundation; we have commissioned work by Birmingham University to keep focusing on that. It is all very well having a university focusing on it but that is not the same as having the Government, with all the things they see, bringing together all the different departments and facing in the same way. So, yes, absolutely, a Minister would be good.

Lord Kirkwood of Kirkhope: Finally from me, do you have any evidence of a cost-benefit analysis? We were talking earlier about monitoring outcomes. Obviously, this Government will have to be focused, as all Governments are, on the effectiveness of spending. Is there any best-practice international experience that you could point us to in the course of our work?

Joanna Elson: Some of it is about looking at whether interventions that are already happening could be more effective and provide more value—maybe some of them are already. I talked about the fact that, at negative points in a person's life, they might be going through debt advice and that can provide financial capability. If you could bolster that so that that was a point at which you said, "That's the point we really need to focus on. We are already funding it. We need to add on a bit", that might be the way to go. We have an innovation grants programme at the Money Advice Trust, which is funded by the Esmée Fairbairn Foundation. We did some work in Bristol with a local debt advice agency, which found that by adding on some simple money skills to the debt advice that it offered, it reduced repeat visits by over 40%. So that would be a good example.

The Chairman: Please could you let the Committee have a brief note on that?

Joanna Elson: Yes, of course.

Q8 Lord Fellowes: First, I declare an interest in that I was vice-chairman and then chairman of Barclays Private Banking, starting in 1999 and finishing in 2009. My question leads on rather well from the previous question. I wonder how whole-hearted the banks' input into this process has been. They are absolutely key players. There is always a danger that the banks find it difficult to work up enthusiasm for something that is not necessarily immediately rewarding. In other words, do they get the point?

Joanna Elson: I think they do. The regulator has helped. The Financial Conduct Authority has had some really focused interventions here. It produced an occasional paper on vulnerability just over a year ago, and a recent one on access to financial services. The vulnerability part is now embedded in its supervision, so when a supervisor goes out to a bank, they say, "How are you helping vulnerable customers?". The other day I heard from somebody at Nationwide—which has done a lot of good work in this area, actually, with Macmillan Cancer Support—that when they initially gave the answer, "Well, you know, we have this policy and that policy", the supervisor said, "No, we need to see exactly how you are delivering", and that caused Nationwide to have a much fuller and broader look at the issue. There is good

practice. There is always the danger of distraction, and recent events are giving us cause for concern. Of course, there will be change at the top of the FCA shortly. The Committee might be interested in trying to ensure that the new incumbent is as focused on this area as others have been. That seems vital to me.

Lord Fellowes: Finally, you mentioned primary schools. You are really getting stuck into primary schools. That is the time when this stuff takes root and there are not too many distractions. Also, trial and error is probably cheaper at primary school level.

Joanna Elson: I agree. It is a bit like languages; if you leave learning a language until you are at secondary school it is too late—you have missed the window.

Q9 Lord Holmes of Richmond: A declaration first: I am vice-chair of the All-Party Group on FinTech and a non-executive director of the Equality and Human Rights Commission. We have touched on this a little but I would like to go into a bit more detail. What has been the impact of the inclusion of personal finance education in the national curriculum, and how should the teaching of personal finance be developed?

Joanna Elson: As you say, we touched on this before. The issue is how you ensure that it is well taught across all schools. That can be only by having a national focus. If you have a Minister for financial health, they would have an impact. Clearly, the Department for Education would have an input. Currently, because the national curriculum does not apply to a variety of different schools, as we have said—it is only in maintained schools, not academies, free schools or independent schools—it has a limited impact. For those reasons, we need a greater focus on it.

Lord Holmes of Richmond: Do you think there is a role for a revised guidance body in this area and, if so, what?

Joanna Elson: I think we would have to try a number of different ways. As we have said, it does not get to schools that have been academised so somebody needs to make sure that the academy chains, the multi-academy trusts and so on are focused on this. Perhaps it could be done through Ofsted—as it is thinking about its reviews, this could be part of it. My husband is a head teacher so I know that schools are very focused on what Ofsted is going to come in and look at. So there would be a range of ways of doing it but having a top-level national focus will be key.

Q10 Lord McKenzie of Luton: I start by declaring my interest as a trustee of NOAH Enterprise, a social enterprise charity assisting disadvantaged people in Luton and the

surrounding area. Joanna, you have referred to universal credit in a couple of your answers today. Obviously, that is increasingly being rolled out, although there is still a very long way to go. The payments under that are designed to mirror the world of work: basically, monthly in arrears. It has been estimated that 2.5 million people will require assistance with money management because of that. To what extent are the arrangements for delivering universal support locally equipped to meet this demand?

Joanna Elson: We have said already that there is reasonably widespread support for the principle, as you say, of paying as if being paid in work—getting people into those sorts of habits. But we know that the transition is going to be really difficult for people. A recent Citizens Advice survey found that 73% of those surveyed needed help managing the monthly payments. As you say, the DWP’s own figure is 2.5 million people needing help with the transition. It is the combination of the change from the weekly and fortnightly benefits that people are used to, to being paid a month in arrears, and also a wait for the first payment, so people can be waiting up to 42 days for their first payment.

There are two key things the Government need to focus on. The first one, as you say, is how well the local support functions. It is a good idea that support is delivered locally but the early evidence is that simply signposting—telling people, “There’s the help if you need it”—is not doing enough. I heard from the DWP yesterday that less than a quarter of people who are given that signposting actually take it up.

If I were the Government I would do a couple of things. I would ensure that a range of channels is offered so that however people are best able to gain the help—on the phone, online or sitting down with someone—that is available to them. I would use nudge and what we call “warm handover”, so that you are not just saying to people, “There’s the help, go and find it”; you are saying, “Can I make you an appointment for you to see such and such? It will be next Tuesday”, or, “I can put you through straightaway to someone who will be able to help you save money on the kinds of things you are talking about”. There is a lot for the DWP to do here and if it does not do it, it risks something that could be improving financial inclusion actually excluding people.

The second area is that the DWP really must cut down on the wait for the first payment. You will know, I am sure, that there are real horror stories of people ending up going to food banks or borrowing high-cost credit because they are waiting so long for their first payment. A recent survey by social landlords of 3,000 households on universal credit found that 79%

of those were in arrears, and half of them were not in arrears before they went on to universal credit. The overwhelming cause, they said, was the wait for the first payment. Before the Government roll out universal credit any more widely, if I were them, I would say, “We have to do something about getting the first payment made more quickly”.

Lord McKenzie of Luton: What do you think has happened to the concept of jam-jar accounts to help these payment arrangements?

Joanna Elson: I am not sure, to be honest. There has been a lot of talk about it. I am not sure what the outcome of that is. It is clearly a mechanism that works for people, which people use in other areas of their lives, but I have not heard the latest on where that is.

Lord Kirkwood of Kirkhope: Do you think that universal credit delivered locally should be tied formally into the wider context of the policy area? You mentioned the “warm handover”—absolutely, that is important and when it works it makes a huge difference; when it does not, it is a failure. Would you go as far as to make a recommendation that would formally put a duty on someone within the DWP to take on the responsibility of that warm handover? Would that be practically sensible?

Joanna Elson: We have been to see Lord Freud and others who are involved in this area. He and the team are very keen to ensure that people get the support they need but clearly there is a gap between them needing it and getting it. I do not know whether it is putting a duty on them or simply showing them best practice and ensuring that that is used. But it is not happening enough now and, as I say, it risks turning something that could include more people into something that actually makes people worse off.

Q11 Lord Northbrook: This question also incorporates housing benefit, which I now understand is being paid directly to the tenant rather than the landlord. What is in place to help tenants cope with this sort of change? Are any further measures required?

Joanna Elson: I think they are. We have raised concerns about this. There is this very significant change we have talked about that people are taking on. Part of that is about perhaps the biggest area of spending that they have—housing. So suddenly they have this big lump sum coming in monthly in arrears, where previously they have had up to six single payments. It seems to me that if people would prefer, at least temporarily, to have that money paid directly to their landlord, they should be allowed to do that. Currently they have to wait until they are the equivalent of two months in arrears. By then, people are in very grave difficulty. They have possibly gone to high-cost credit and their problems have

worsened. It seems obvious to me that the Government should say, “Let’s give people a little bit of slack here and we will look after that bit for them for now. Hopefully we will be able to bring that in later on but let’s ensure that this works as well as possible by looking after the biggest area of their payment, with that going straight to the landlord”.

Lord Kirkwood of Kirkhope: The experience in other jurisdictions is also instructive. Scotland does it already.

The Chairman: A point I think we will want to pursue in future Committee sessions.

Lord Kirkwood of Kirkhope: I think Northern Ireland does as well. There is best practice. The scale is different but it is being done in other areas in a different way.

Baroness Primarolo: Of the people moving to universal credit, the figures that you gave, do we have any idea how many of them were struggling with their payments before the additional direct payment of their rent? That is, there would have been a sensible “warm handover” where work was done with them before. Has any work been done on that?

Joanna Elson: I do not have that at my fingertips. I can certainly see if we can access any figure like that. Honestly, I do not know.

Baroness Primarolo: People are already juggling before they get their rent how to pay all their bills and manage their money, and then their rent is given to them and that goes into the mix—you do not pay your rent in order to pay your electricity or whatever.

Joanna Elson: I suspect that that will have been taken into account in the 2.5 million figure that the DWP is using. That is a good figure. We just need to reach those 2.5 million people.

Baroness Primarolo: Who might already be struggling—

Joanna Elson: Some of whom might already be struggling.

Baroness Primarolo: —before we give them their rent.

Joanna Elson: Yes, and with all their other payments. For some of them it will be the change in the frequency rather than the fact that they were possibly in financial difficulty already that is causing the problem.

Viscount Brookeborough: Do you have an analysis of the profile of the younger people who come to you for help—were they school leavers at the earliest age or were they further educated? It would appear that logically it is going to be a greater problem for a greater number of people who left school at 16.

Joanna Elson: I do not have that at my fingertips, I am afraid.

Viscount Brookeborough: Is it too early, since it has been in the curriculum for only a couple of years?

Joanna Elson: I think it is too early, to be honest. We will not know the outcomes of the decisions people are making for some time.

Viscount Brookeborough: But it would be logical to think that.

Joanna Elson: It would be logical. My colleagues who are coming later wrote the APPG report on this so may well have more knowledge in this area.

Q12 The Chairman: Thank you. The Committee is at the very start of its deliberations. As you are aware, financial exclusion is a very broad topic. We have to be quite focused in what we do. Can you give us your thoughts and advice? If we wanted to focus our attention on a small number of critical issues, what do you think they should be?

Joanna Elson: Yes, we have talked about many of these already. Having a clear focus nationally for how we move from here to there—I think we are agreed what that is—is absolutely critical and I commend the recommendations of the Financial Inclusion Commission. We have talked about leadership. That was going to be one of my suggestions: it is absolutely vital, within both the Government and the regulator.

There are two more areas, if I may. One is a lack of visibility. We run the Business Debtline as well as the National Debtline. That is for small trading businesses in financial difficulty. It is a little-known fact that many self-employed people are vulnerable people who struggle in this area. We are not talking about small businesses that are going to become the tech stars of the future; we are talking about your plumber or your hairdresser. Sometimes they are people who have gone into it because they have lost their job. They are taking very little money out of their business. Their personal and business finances are completely intertwined. Yet if they try to claim universal credit, for instance, they have great difficulties because universal credit assumes that 12 months after you started being self-employed you are on the minimum wage, which many people are not. That is an area it might be worth delving into.

One final one, if I may, is about technology. Technology could be a real enabler here. One of your colleagues is closely connected with the fintech work. In the UK we are a leader in that, which is fabulous, but I do not believe it is really serving this population. If you cannot afford the kind of smartwatch that you can pay for your coffee with, I am not sure that fintech is really working for you. The Committee might be interested in talking to one of the

companies at the forefront of this and asking, “What are the things you could do?”. For example, if you are using a payment card, that cannot warn you that you are close to your limit, but if you are paying on a mobile phone, it could; it could be flashing, saying, “You are almost at your limit”. How can we use technology to help enable better systems for this kind of population? That is a second area I would focus on.

Lord Holmes of Richmond: I think we will have some witnesses later in our deliberations exactly on this area. I agree with everything you say. There are tremendous solutions to be had from fintech to benefit everybody, wherever they happen to be on the financial strata.

The Chairman: Thank you very much indeed for your evidence. It has been extremely helpful. You have got us off to a very good start. Thank you for your time.