Select Committee on Financial Exclusion

Corrected oral evidence: Financial Exclusion

Tuesday 11 October 2016

10.40 am

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Members present: Lord Empey (The 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.

Evidence Session No. 7 Heard in Public Questions 69 - 78

Witnesses

I: Jon Boagey, Associate Director, National Youth Agency; Louise Macdonald OBE, Director, Young Scot; Sarah Milan, Director, Rees Foundation.

USE OF THE TRANSCRIPT

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

Examination of witnesses

Jon Boagey, Louise Macdonald OBE, and Sarah Milan.

Q69 **The Chairman:** First, you are very 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. The meeting is being broadcast live via the parliamentary website. A transcript of the meeting will also be taken and published on the Committee website. You will have the opportunity to make corrections to that transcript where necessary. If you are content for me to do so, rather than asking you to make opening statements, if you wish to add anything when you are answering a question you are free to do so. Different members of the Committee will ask questions, but they make ask supplementaries as the answers unfold.

I will commence by asking you what the key financial challenges facing young adults are and about the relationship between those challenges and financial exclusion. In other words, which groups of adults are particularly vulnerable to financial exclusion?

Sarah Milan: I represent particularly the care-experienced group of young people, so my answers will focus particularly on them. At the Rees Foundation we offer a lot of advice and support to young people with care experience, and financial issues are a major concern for them. We find that the key challenges can be their understanding what their responsibilities are as well as their rights and eligibility for support. Many people who I speak to are managing on a very low income, which is a big challenge for them when making decisions and when planning. One thing we talk a lot about is the impact of sanctions in the benefits system and appeals of those. I speak to a lot of students, particularly full-time students, whose financial issues are different and more specialised.

My main general point in relation to this group of people is that they lack a safety net and quite often people to go back to. Leaving the care system can be isolating and difficult, and they do not have the safety net that a lot of young people have of family networks and even stable friendship groups. This limited support makes them a particularly vulnerable group of young people and means that they face different challenges.

The Chairman: Do you feel that they come out of the education system having gained little or no knowledge there?

Sarah Milan: Yes. I do not hear much evidence of them having gained knowledge through school. We talk a lot about their social workers and their foster carers or personal advisers and, again, there is a limit to what advice and information they receive there.

Louise Macdonald: Good morning everyone. I really take the point that is made. There is a particular issue with the care-experienced, the looked after and care leavers that has to be taken quite seriously. It would be welcome if this Committee could explore that further.

More generally and more broadly, Young Scot works with all young people in Scotland. We work with 11 to 26 year-olds in Scotland, and we are a membership organisation; we have 680,000 members across Scotland. We have specialised in financial information and support for young people for many years—since about 2005. I should also say that I am a member of the financial capability strategy board for the UK.

Generally, what young people have told us about and what strikes me is the interconnectedness of financial inclusion issues across young people’s lives and that we cannot see it just in the context of one simple issue—that it is just about finance, and that is it. Actually, it is tied to transport, employability, whether they can engage locally in their community, whether they can be an active part of the life of their community, whether they can access opportunities. The interconnectedness of financial inclusion in young people's lives strikes me hugely.

The Chairman: You mentioned transport. Do you mean the cost of transport?

Louise Macdonald: Yes. The cost of transport is a key issue for young people. Now we find that zero-hours contracts are quite often a new issue for young people or young adults. They will quite often travel to their place of employment, and pay for that travel, and are told that there is no work for them today and they have to go back again. It has cost them £2, £3, £4, £5 to get there. There are a significant number of linked issues, which means that this cannot be looked at in isolation. Broadening the gaze would be really helpful in thinking about this issue.

Jon Boagey: I echo what Louise has said about broadening the view. We have to think about the financial challenges in young people's lives in the context of their broader lives. For many young people, that transition to adulthood should be a time of opportunity and hope, but in reality for many it represents a whole range of significant challenges. We know that for many young people unemployment is high. When people get jobs those jobs are often temporary, contracts are fragile, and there is uncertainty about their future employment. Educational qualifications are not what they used to be. A report out today from the CIPD talks about the value of a degree and whether educational qualifications lead to employment in the way they used to. There are real challenges in housing, owning your own home and the tenuous nature of rental contracts; many young people are pushed into private tenancies that are not always secure and that represent financial challenges such as deposits, payments of rents, council tax and energy bills.

There are whole issues with being online. Young people’s lives are now lived online in all sorts of different ways, and access to spending and so on is significant.

Finally, we also need to remember that we are talking about young people and, as I said at the beginning, young people's lives need to be about opportunity and looking forward. It is a time in people’s lives when they want to make relationships and think about new opportunities and ideas in life, and there are financial consequences from doing that and from being secure in the way you set out your life in the future.

The Chairman: Thank you. Sarah answered this question, but, Jon and Louise, do you get any sense that young people coming out of the formal education system have a grasp of financial issues at all?

Jon Boagey: From our perspective, we know that there is some financial education, but the need remains significant. The key thing that we might explore later is the value of intervening or giving financial support at those key transitions points in young people's lives.

The Chairman: Louise, what is your take on that?

Louise Macdonald: In Scotland, it is not a specific strand; it is embedded across the whole curriculum for excellence. Over many years, additional support was given to schools for financial education, and there were local officers who did that job very well. They have gone, sadly. In the current climate, those posts were not maintained. So while there is still good practice, we are hearing from young people that very often their financial education is not visible or recognisable, so they come out without knowing that they have had any financial education.

Q70 **Lord Haskel:** We have heard about the support that your organisations give to these young people, but of course they get support from their families, financial services and employers. What role do these and your organisations play in shaping young adults’ behaviour and attitude towards money: that is, a more responsible and understanding one?

Sarah Milan: There are some specifics to the care experience of a young person. They have quite a unique relationship to money. It is a cultural thing and is part of their experience in residential or foster care. In my experience, young people are very aware of money and how it applies to their lives in different ways from other young people, because they are aware that their carers and social workers are being paid. Many of the key adults in their lives are actually paid professionals, which means that many young people’s lives have been impacted on differently and their approach is different.

Young teenagers in care are aware of what control or lack of control they have over money, and this is an issue for them when they move from their foster or residential care placements on to a more independent place. They become responsible for it all very quickly, with a lot less support after people have been looking out for them, so it is quite a quick transition. That has a big impact on them. Many of the people who the Rees Foundation works with are in receipt of benefits, so their experience continues to be that of a limited income, which can mean a different lifestyle to that which they experienced while they were in care. That can be quite a culture shock.

The other thing that influences their attitudes to money is their social work and personal adviser experience. The level of the professional's knowledge and capability in terms of finances will have a big impact on a young person. If the professional is capable and knowledgeable about finances, they are able to pass that on—if they have a good relationship with them. If they do not, they might not be as competent in doing that, so their education and training options are important.

In my experience, we are dealing with crisis management a lot of the time. Young people either think they are getting on okay or they feel that they are struggling. They may find themselves in crisis before support services kick in or anyone is actually available to be there for them. So that reactive rather than proactive approach also has an influence on them.

The Rees Foundation's approach is that we believe that young people should be supported in having a responsible and sustainable approach to their finances, and we offer lots of signposting and advice for them to do that. We have to help them deal with the realities of their situation, and that may be in contrast to their ambitions and aspirations. It is about helping them to hold on to the ideas of hope that Jon mentioned by seeking opportunities, and to help them combat the disadvantages they face.

Louise Macdonald: From our perspective, there are some great practices going on across a whole range of different providers, whether they be industry, employers or the third sector, but we have to note that the quality is mixed and we still do not seem to have grasped the holy grail of having evidence of what intervention actually works. We still lack real evidence of efficacy across a lot of these programmes. Some amazing work is being done in primary schools, which are a great space for exploration and so on through money weeks and £1 or £10 challenge programmes, which are brilliant. But certainly our experience is that by the time young people get to secondary school it is more variable.

That, I think, goes back to the point about recognising where young people are. They are growing, learning and stretching and trying to work out how the world works, and what actually matters then is real, experiential learning. We know that what makes the difference to any young person's financial capability is the ability to apply it to the real world. One of the key things that we need to think about is the delayed transition into adulthood for some young people, because of austerity and some of the situations they face, so that they are not moving into independent living sooner. They do not have a real experience of finance and that has a huge impact. It also takes them longer to gain confidence in dealing with financial issues. The new modern family report that came out in August details this very well and it is worth exploring.

Jon Boagey: From the National Youth Agency's point of view, our focus is on youth work and our interest is in young people's personal and social development. We approach financial capability by thinking about the broader personal and social skills that young people need in their lives in order, if you like, to organise themselves. They need to think about their self-management, their confidence, their communication skills and so on. All those personal attributes are really important to how you begin to think about managing your money and the decisions that you make, and so on. Our interest in this area has been through that and through the programmes that we have run in partnership with financial institutions and others. They always come from that starting point.

I should add that in all those programmes the key thing has been involving young people themselves in designing them. One of the differences between out-of-school or non-formal education and formal education is that although there is lots of creativity in the way formal education delivers such programmes, which we support because they are important, programmes can be designed where young people together with a youth worker can negotiate what it looks like. That is a different type of programme, which is often unique to the direction in which the group wants to go, but it is also often very successful. We have some strong figures from the money skills champions programme, a peer education programme that we ran that demonstrated this impact.

Lord Haskel: You have described a whole range of ways in which young people's attitudes to money are affected, including their family. Because there is such a range, is it necessary to have a lead from Government to bring it all together, or is it better left with a whole range of organisations working independently?

Jon Boagey: I feel strongly that the Government need to play a central role in bringing initiatives together, whether that is devolved down by providing financial support to an organisation like the Money Advice Service or whatever may be the case. We know that there are key moments in young people's lives that are significant in providing financial capability and education. You cannot intervene at those moments if you do not have support from across government.

Two examples that we may talk about later are the youth obligation and apprenticeships. We are seeing a big push on apprenticeships at the moment, with 3 million of them by 2020. But where does financial inclusion or education take place in that context? I do not see it. There is a lot of opportunity for it to happen, but it is not wired in at the moment. The Government need to think more about this if they are going to take financial capability seriously.

Q71 **Viscount Brookeborough:** Thank you, because that leads into my question, which is about government policy. You all agree that financial education should start early and should be continuous through the different stages. I understand what Louise said about Scotland and that its policy was for it to be within schools and how that actually works. In Northern Ireland, where I live, that is also the case. But we have been told that schools in England are not uniform in this respect, because there are free schools and schools outside the curriculum, and therefore it is variable at best, and maybe non-existent.

In the paragraph above the question on youth strategy, which no doubt you will have processed, it seems incredible that responsibility for education, which is what it amounts to in schools, has been moved from the Department for Education to the Cabinet Office. That puts it out of education control straightaway. It was then moved again to the Office for Civil Society, but I am not quite sure what it does, and then to the Department for Culture, Media and Sport. If we are to start where young people start, which is as young children at school, what would you like to see being done at that stage, because clearly it is not getting to 100% of children at all? It is fragmented, so when your services are required at different stages, you have some young people who may have some knowledge of saving the odd pound and others who simply have no knowledge. Would you like to comment on the strategy?

Louise Macdonald: Leadership on policy and in government is absolutely essential, and I agree that a coherent approach is necessary. I cannot comment on how it has been organised at the Westminster level and I shall leave that for colleagues to do so. It is about creating an understanding across the support system for children and young people of the central importance of this topic. Too often it is still being left in the hands of specialists or technical enthusiasts. The approach in Scotland of trying to embed this into lots of topics is a good one. I do not think it has been as successful as it could have been and that there is more to do. The new opportunity we have in Scotland is the announcement last week of the Fairer Scotland strategy, which has positioned this issue in the ambitions to tackle poverty, childhood poverty et cetera, and some key work has been done. You are right that it has to be complementary, and I would be slightly concerned if we said that it has to be dealt with in just one place. We need to move forward on multiple fronts, but doing that in a way that ensures good leadership coherence across the policy.

Jon Boagey: In response to your question about school education and how it prepares us for what we do later, I do not know that much about primary education because it is not my area, but my sense is that citizenship education for young people as they grow is very patchy. In some schools it is done really well, while in others it is not. Typically, although there are attempts to put financial education into the maths curriculum, by and large most of it happens in citizenship education. There are other skills and knowledge in relation to financial education, but I worry that that is actually quite limited and would ask whether it is broad enough on things like tax, council tax, energy bills, managing mobile phone bills and so on. These are practical things which many young people when they leave school suddenly have to deal with, but the education was not there when they were learning about money in a much more specific way.

As to the arrangement around the youth strategy, I think that many in the youth sector feel that it should be closely connected to education. The

Office for Civil Society has done a good job. At the moment it is trying to put together a new youth policy rather than a strategy. There was a policy, I think five years ago, which remains in place. We have strategies in government that relate to young people, but we do not have a youth strategy that sits across everything and sets down the outcomes we want for young people.

Q72 **Lord Northbrook:** What financial education is there for young adults who are not in formal education? Is the current provision sufficient? If not, what is required to meet the needs of young adults?

Sarah Milan: I started to talk about this point earlier. It very much depends on the knowledge of the professionals working with young people, so social workers and personal assistants are key to that. They will have a big impact on what support young adults can receive and what information they can connect with. Those who do reach out to organisations like ours and others can be signposted to a nearby service where we find that we can get them information and good services quickly.

As is probably the case for all of us, but particularly for young people, if we do not know that the services are there, we cannot get the support and information we need. We need to make sure that young people are aware of what is available outside of the formal setting. That is important, as is the need for such services to be approachable. Obviously online services have improved, so that if people do not have access to a phone because of their situation, they can access the internet and have an online chat to get information.

If I might go back to the previous question, obviously the majority of the young people we work with are over the age of 18 and are therefore outside the lower education system. It is important that the youth strategy is seen as being relevant to a wider group of professionals, and that is probably the case for many policies in relation to this group. It is about joined-up thinking and a systemic approach across schools as well as local authorities that are responsible for young people's care.

Louise Macdonald: I would say that this group is potentially where the greatest opportunity might lie, because they are facing the transitions of young people who are not in formal education. There is an opportunity to engage with financial decisions across a whole range of issues. There is potential in modern apprenticeships, vocational training and with employers to play a significant role. This is where I see a real opportunity. Some Money Advice Service research published last August points out that young people who are students are less financially confident than those who are not because they are not getting the real-world experience of having to negotiate these decisions. For young people in that position, finding clear go-to resources can be the issue. The amount of information available can be a little overwhelming, and we have to recognise that the way of the world for young people is very often about seeking information or making decisions just in time. It is not about long-term planning, it is more, "I need to know this and I need to know it now, so where do I go?" Adapting services and provision for young people is really important.

The one point I want to make at this stage on this group is that digital is hugely important. I know that we will come on to this later, but actually digital connectivity does not mean digital competence. We are doing a huge amount of work with the Prince's Trust and the Carnegie foundation for the cohort of young people who are very far removed from education and employment, and their level of competence in digital matters really would surprise people. It means that young people in this position are more vulnerable, because everybody thinks that they are digitally savvy, so they are even more at risk of being left behind because nobody is paying attention to them.

Q73 **Lord Harrison:** Good morning to the three of you. As someone who is digitally connected but deeply incompetent, that rang a bell with me. How successful has the Government's new strategy been in supporting young people in developing their financial capability? I will ask Louise to start, because when I say "Government" I am referring to HMG here, but you are very much under the regime of another Government, who perhaps have started developing different strategies.

One more point, if I may. You said that your range in Young Scot was 11 to 26 and that sometimes some of the young people you are dealing with have delayed the move into adulthood. That is quite tricky. Is that the right range? Does it correspond to what we have been doing elsewhere? Perhaps there is a different perspective north of the border.

Louise Macdonald: From a strategic point of view, I would need to check, but I think that many years ago there was a specific financial capability strategy for Scotland. That went under the current Administration. More has now been embedded across different approaches, such as education and learning, and is focused very much on poverty and the anti-poverty strategy work that is going on.

I do not know the detail, so the Committee may want to seek further information, but as part of the consideration of the new welfare powers that are coming to the Scottish Parliament there is currently a consultation on what will happen to social security and how that will operate in Scotland. Again, conversations about support in relation to debt, crisis management and financial services are all part of that.

One element that is very positive for me is that there are commitments in the Fairer Scotland strategy, which I mentioned earlier and which was published last week, to tackle such issues and to provide things such as a new job grant for young people aged 16 to 24 who are unemployed for six months or more, and transport support for modern apprentices and, again, unemployed young people. Some of the pinch points that have been identified by young people in the engagement with them are being addressed.

You cannot point to a single strategy in Scotland, which I know is a frustration for some colleagues who work in this area because of course it makes engagement more complicated, but in some of the key life stages for young people you can see work that has been undertaken. I am not sure that there is a narrative that joins that up, though. That is probably a gap.

Very quickly on the question of delayed adulthood, if we have time, there is a sense that, because of the situation that young people are now facing, where very many do not believe that they will have as positive a life as their parents, we are now getting a lot of evidence that young people are tending to stay at home longer and are delaying some of those decisions. That will have an impact on young people and, I think, potentially a wider impact on their financial capability longer term if it is going to take longer for them to engage with independent decision-making around this topic. That is the point I was trying to make.

Jon Boagey: Very briefly, I mentioned the youth strategy. *Positive for Youth* was published in 2011 or early 2012, but there has been nothing since then that brings together a view on what young people's lives might look like and what good outcomes would be, part of which one would hope would be financial capability. Of course, we have individual strategies. We have a strategy from the Money Advice Service and strategies in other areas, but we do not have an overall youth strategy.

There are some interesting initiatives that offer opportunity for financial education. A lot of money is being put into the National Citizen Service, and it would be nice if there was a way of including some financial education for 10 and 11 year-olds[1] who go on that service. There is investment in volunteering and social action. There is a programme called Step Up To Serve, which is encouraging young people to get active in their communities and so on, and a recently announced youth investment fund, which is intended to support, I think, 40 of the most deprived areas of the country, and to support youth work initiatives in particular. There are opportunities there to try to focus a bit more on financial education,

Finally, there has been quite a lot of discussion about life chances—there is a life chances fund—and whether government strategy overall could think about investment in areas of financial education and see that as investing to save later on. There is the really strong argument that if you get it right and spend some money on young people's financial education, you are likely to save money down the line. Not just in this area but much more broadly there is a really compelling argument for pointing public spending in that direction. Perhaps the Money Advice Service and others could look at that.

Sarah Milan: I have nothing to add to that.

The Chairman: Thank you very much indeed. At this point, Baroness Primarolo would like to ask a supplementary.

[1] Note by witness: The reference should be to children in school years 10 and 11, rather than 10 and 11 year olds

Baroness Primarolo: Louise, in answer to Lord Harrison and several times elsewhere, you have mentioned the question of the transition to adulthood being later. You edged around it in your description of the Fairer Scotland strategy, but can you spell out in a bit more detail the implications of building a financial capability strategy if the key life changes, the key life events, are moving and at different paces for different groups of young people, or would you say that the Fairer Scotland strategy is trying to sweep that up at the moment?

Louise Macdonald: I would say that Fairer Scotland is trying to tackle the real concerns about the levels of poverty. One in five children in Scotland is affected by poverty, and Fairer Scotland is a very strong response to tackling that. It has identified some key life stages where you can very clearly see the link between poverty and financial inclusion. That is the context. It is not a financial inclusion or a financial capability strategy per se. There are elements there.

For me, there is a need to take account of what is happening with young people and the fact that their future is less secure. It feels like a less secure place that they are going into. It is more difficult to plan for, and there are far fewer certainties than perhaps their parents had, such as the ability to get a house or a secure job. The kinds of issues that are leading to that delay need to be taken into account in our thinking and then matched to the evidence that real-time experience is what leads to young people’s understanding. We need to adapt approaches and think of new ones to tackling financial capability and where we tackle it. That is the point I am trying to make: there is a need to take into account the fact that the landscape has changed for young people, and we need to be aware of the implications of that.

I would echo Jon’s point that making that investment now to support young people in relation to these issues is a fantastic step towards prevention and longer-term positive outcomes for young people as they grow, start families, have their own children et cetera. Really exploring that—and I do not think that we have explored it entirely or understood it yet, because it is still happening—and being responsive to what that is telling us feels important to me right now. I hope that helps.

The Chairman: Lord Fellowes, you are up next, but we will have to speed up a bit if we are going to get all the questions in.

Lord Fellowes: Luckily Lord Haskel mentioned it.

The Chairman: By the way, if you wish to answer a particular question or to move on, please feel free to do so. Please also feel free to let us have in writing anything that occurs to you subsequently. We would be very pleased to receive all that at any stage in the process.

Lord Fellowes: I have a quick question that is supplementary to the issue of the Government’s intervention. There must be a huge variety of ways in which those who are financially excluded get by. Would Government intervention be welcome to all of them, or would they feel almost overwhelmed by such intervention when they can go to people like Louise and Sarah? Could you give me an idea of how the medicine goes down?

Jon Boagey: It depends on how it is presented. For the young people I can think of, it is about the setting, who presents the information and how it is delivered. An interesting report produced by the YMCA talks about young people's experience of jobcentres and how they are not really at all helpful in engaging with young people who are thinking about work. In some cases the interventions are not very successful. A better way of doing it might be through providing funding to organisations that are more on the front line.

Louise Macdonald: I would agree.

Sarah Milan: Can I add that that is a really interesting point in relation to the care experience, because that is the relationship that these young people have with the state. They often have negative feelings about that. Sometimes when it is presented differently, as Jon as described, and the advice comes from different agencies, it can come across as being more accessible.

Q74 **Lord Kirkwood of Kirkhope:** I want to ask you about the Money Advice Service, but before I do that may I quickly canvass your views? Your evidence is valuable and you make a powerful case, but are you actually saying that we should be doing something separate and distinct for the problems faced by the young people of the kind you have described so eloquently? Louise said that there is a strategy in Scotland that is waterfront-wide. Is that something the Committee should make a recommendation on for what the Government should do in the future? Are you saying that the problems are so distinct for 16 to 24 year-olds or whatever the age is that we should specifically set up something separate, or that we should try to embrace it better in a comprehensive policy-wide approach like the one that seems to be developing in Scotland?

Sarah Milan: All these questions cause me to think about what young people would tell me to say. What these young people would say is that they struggle the most with not having an individual response. We have to think about them as a distinct group, and particularly for me being close to the care-experienced, because it impacts on what they need. If we take a blanket approach, we risk not giving them a response that is individual to them—not individual only to young people with care experience but individual to them literally. That is what we must not lose.

Lord Kirkwood of Kirkhope: So there is a case for a separate approach for young people.

Sarah Milan: I think so.

Louise Macdonald: I have mixed views about this. I absolutely think that any service has to be person-centred and start with the young person. It all has to evolve from there. I do not necessarily think that

that needs to involve a specific agency or the development of a specific programme. What is key is being responsive and understanding the life stages that young people are going through. This again comes from hearing from young people about how they walk out of school and have no way of applying any real knowledge. They do not feel that they have had the exposure to it. Using that transition phase as an opportunity for deep engagement, which may be part of reaching an understanding through a wider evidence base, makes an argument for a targeted approach at that stage that is based on helping young people generally through great youth work and other programmes.

Lord Kirkwood of Kirkhope: But does that require a separate body and separate funding?

Louise Macdonald: I am more in favour of joined-up; I am very nervous of silos.

Lord Kirkwood of Kirkhope: That is a good answer.

Jon Boagey: I am with Louise. There are lots of examples of big investments into things like the Connexions services, careers services and so on which are around for a while and then disappear. What is really important is strategy, leadership, and then the money to make it happen.

Lord Kirkwood of Kirkhope: That is very helpful. Thank you. I have two quick variations on the same question about the Money Advice Service. We know that it has been going through some revision recently. Are there any learning points from that which you think we should be picking up on? Have you and your organisations had a chance yet to consider the announcement that was made on Friday that rather than having the Money Advice Service, Pension Wise and the Pension Advisory Service as separate entities, they are going to be banged together into a single point of contact for financial capability? Would you be in favour of that or not? With the learning points from the MAS experience in the past, is the future of a single organisation a positive move or not?

Jon Boagey: If I am honest, we did not have much contact with the other two pensions bodies. Our focus has been on the Money Advice Service. What is key for us goes back to my previous point. The MAS has developed a strategy, begun to identify what works and has put outcomes together. It would be a great shame if we lost that. We must not lose the initiative, because otherwise we will just go back to stage one.

Louise Macdonald: I concur with that. The real strength of the Money Advice Service has been the focus on what works and gathering together an evidence hub. Losing momentum on that would be a real loss. I am old enough to remember when the FSA originally did some of this work, but very sadly it got lost. It would be a missed opportunity if it was lost again. The advantage of a single agency bringing all these bodies together is that young people tell us that sometimes working out where you are meant to go can be very difficult. A clear, single point of contact is helpful for young people. They will know that it is their go-to place. But what really matters is what they then get as a response and whether will they have the local connection that they require.

Sarah Milan: I do not have a lot to add, because we have not worked much with the Money Advice Service at that level. A number of the young people we have worked with have had a very positive experience of the advice because they have been given fast, accessible information.

Q75 **Lord Shinkwin:** I am interested that you all touched on the importance of the digital angle. Louise, you made a very telling point about the assumption that young people are digitally savvy and how perversely this makes them more vulnerable. I would be grateful if you could give me your opinion of the way in which financial services engage with young people inclusively.

Sarah Milan: I want to offer some practical examples. Our experience is that our young people have a lot of trouble with issues of identification, which can be a big obstruction for them. Young people who have arrived unaccompanied in this country sometimes have an unresolved status. If they were looked after, when they turn 18 years old, all of a sudden they have no status in this country. They probably will not have access to their birth certificates, and that can be difficult. They will not have all the ID that banks and other financial institutions might expect. That will impact on how they experience what they can access and what they might be able to achieve.

Housing also impacts on this. Not having a permanent address will affect what you access in the banking system. We have seen technology offer new opportunities. When these situations arise, local authorities are able to provide access to online top-up cards so that people can take out cash, but that ends up again taking control away from the young person, which is a big issue for them. It is about making financial services accessible in situations that are unique to this group, as well as enabling them and respecting them as autonomous adults.

Louise Macdonald: I absolutely second the point about proof of ID for opening bank accounts. That is a central issue that needs to be tackled, particularly in the provision of fee-free basic bank accounts for young people. That is important.

A few years ago we did a piece of work with Lloyds Banking Group. It was a co-designed programme to ask young people what they thought banks should do. This is probably quite separate from the CSR programmes that financial companies and others run. There is a very practical sense on the part of young people about what they want from financial services and products, and as you would imagine a lot of it relates to less jargon and services and products that are much more youth-friendly, such as the youth-friendly charter mark for financial services.

There is the interesting dimension here of how we consider that financial services engage with children and young people. We had quite an interesting challenge from a group of young people who told us that if we care enough about children and young people's rights to codify them in law, that applies to every aspect of their interaction with services. What does interaction look like across various services through that frame? What does a company engaging with a young person as a customer look like through that lens? That has been a challenge that we have been wrestling with when trying to think about what that means. Banks runs some great programmes, but taking young people seriously as consumers and customers is an area for exploration.

Jon Boagey: Briefly, there are some interesting issues to do with the speed and pace of technology and whether or not the implications of that are reflected in the curricula, the training material and so on that young people access, because I suspect that it happens so fast that we are not keeping up with it.

There is a real issue about the ease with which it is possible to buy online, and related to that is the issue of young people and gambling. The accessibility of online gambling is bubbling away as a real issue. We have some data that suggests that 15% of 11 to 15 year-olds report have gambled in the last week. There are some real questions about that, which we need to think about, and what that means in terms of financial education.

The Chairman: That is a very interesting point. Lord McKenzie will kindly ask questions 9 and 10.

Q76 **Lord McKenzie of Luton:** I can be fairly brief with question 9 as it has been covered by the answer that we have just had.

I want you to focus specifically on credit rating agencies and how all that works, because it does not seem to be a very transparent process in many respects, and its impact on young people's ability to borrow when they are in debt and how they address that and get out of that conundrum. Perhaps I will stop there and come on to the other question later.

Jon Boagey: I am sorry but this is an area that I do not know very much about, so I cannot comment on it.

Louise Macdonald: The point I would perhaps like to stress is the need for affordable credit, particularly for young people who face greater disadvantage. Obviously the change in legislation on loans such as payday loans and online loans has had an impact; the research supports that. But we do not know where young adults are now going for smaller loans under £500. I certainly support of the work by the Carnegie task force on affordable credit has done on this and on the need to explore this much more and perhaps to look at working more with credit unions and community development financial institutions. We continue to have an issue with getting any core investment into CDFIs, but that could be something that financial services play a part in. It is not a substitute for a fair wage, effective welfare, great wraparound support and so on, but further consideration needs to be given to scaling up those models to offer alternatives to credit for young people.

Sarah Milan: In our experience, high-street credit is quite attractive to young people because it is very easy to access. It does not take much for them to seek out that money and not understand the implications, such as interest rates.

The Chairman: You mean store cards and that kind of thing.

Sarah Milan: I am thinking more of short-term loans, payday loans—the kinds of companies that seem to be cropping up on the high street. We are hearing more about them. Young people are quite vulnerable to that kind of debt. People often describe that overwhelming feeling of never being able to get away from it. How are you going to get on top of it if your situation is not genuinely changing? One of the reasons why people go to high-street credit is rent arrears, because housing is an issue, and those rent arrears are with their own local authority, which has looked after them as children. That is a big issue for me: corporate parenting and how the housing department views itself in that way, or not.

We also see a lot of young people looking for other informal ways of accessing money and then becoming deep in debt with friends and family. That is a big issue. In fact, young people will go to each other, and we see all sorts of money changing hands where it can because they are trying to support each other.

Lord McKenzie of Luton: Is that guarantee of friends and family to be encouraged?

Sarah Milan: No. I think it perpetuates all their financial difficulties. That short-term credit causes more stress. We see their emotional well-being also being impacted, which means that they are not coping with other parts of their life as well as they might.

Louise Macdonald: That then has an impact on relationships. Very often, important relationships that are there for support become affected by that borrowing and the fact that they are borrowing money perhaps from family members who do not have very much to begin with.

Lord Haskel: The Government have been encouraging the online banks, the challenger banks, the Post Office. Has this had any impact on the people whom you support?

Louise Macdonald: I think young people are much more comfortable using online banking facilities and apps, but we have to think about how that plays into the "just in time" mentality that we talked about earlier and the impact on the ability to plan, and so on. These things are important developments, but we still have to think about how we support young people to use them responsibly. It is a mechanism to use, but it is also another teachable moment.

Q77 **Lord McKenzie of Luton:** This question answers itself pretty much, but

I will pose it anyway. How will young adults be affected by measures such as the freeze on the local housing allowance, the social housing size criteria and the withdrawal of housing benefit for 18 to 21 year-olds? How will such measure affect financial exclusion?

Lord Kirkwood of Kirkhope: Exactly.

Lord McKenzie of Luton: We can anticipate.

Sarah Milan: My understanding is that young people with care experience will be treated differently in some of these circumstances but not in all.

I also wanted to mention the changes to the work allowance as part of universal credit, because we have already seen that having an impact. I am sure you have seen the report from the Children's Society that came out recently. It details this, so I will not go into them.

Louise Macdonald: I am not aware of the detail yet, but again as part of the announcement of the Fairer Scotland strategy last week there was a stated commitment that the Scottish Government will mitigate any impact of housing benefit withdrawal for young people aged 18-plus in Scotland.

Jon Boagey: I have nothing to add. It will clearly have an impact.

Q78 **Lord Holmes of Richmond:** Is appropriate and co-ordinated support available to young adults to enable them to manage changes in their benefits and avoid incurring benefit sanctions? If further support is required, what form should it take?

Sarah Milan: This is a really big issue for us at the Rees Foundation, you might not be surprised to hear. There is evidence that care leavers experience more sanctions than any other young person and that their appeals are more successful and the sanctions overturned more often. We know there is an issue with how they are experiencing sanctions.

I mention the safety net again, because this is where it really plays a part. If you do not have a family network to turn to when your income is greatly affected and may be reduced to almost nothing, you literally have nowhere else to go. These are some of the young people we are talking to and helping to buy food and fuel in between, so we find ourselves supplementing those young people at times of real financial difficulty.

Another issue for us is the level of communication between departments and between the jobcentre and the local authority social workers and personal advisers. Again, I mention the housing departments. Where the sanctions are taking place, everyone needs to be aware of that. If there are issues with young people's behaviour, with better communication we can prevent those young people from being sanctioned in the first place and then from facing the difficulties that they face. It is about everyone working together.

Louise Macdonald: I agree with that.

Lord McKenzie of Luton: This is a brief supplementary. It used to be said that people did not really recognise when they were being sanctioned—they just assumed that it was a reduction in their benefit, took it on the chin and carried on. Is that still your experience, or have matters improved?

Sarah Milan: I have never had that experience. Everybody who is in touch with us about sanctions has said that they have a great impact on their ability to live day-to-day life.

Lord McKenzie of Luton: It is a question of whether they recognise that that was as a result of a sanction rather than just some change in the benefit.

Sarah Milan: No, they talk to me about sanctions. The other issue with that is that people do not have the full information, so somebody could say that they have been sanctioned and maybe realised why—they may have missed an appointment, for example—but then they have not had the information on how long the sanction will continue, how much will be sanctioned and the kind of stuff that enables them to plan and us to support them. That is why communication is so important.

Viscount Brookeborough: Can you give us an idea of where you think we should focus our attention, probably in a single place, to achieve something with this report? We have 100 or more pieces of written and oral evidence, so without necessarily thinking of your own little space, on what, in one sentence, do you think that we should focus to get the greatest effect overall?

Jon Boagey: From my point of view, you might encourage an approach that brings services for young adults under a strategy so that we can all work together. I have an image in my head of a lily pond with lots of things that are all slightly separate, but we need for it to grow and all come together as one coherent delivery.

Viscount Brookeborough: Should you have an association of deliverers, as we do not seem to have a common point?

Jon Boagey: It sounds like a good idea. We would have to look at what that was, but it needs to be much more joined up.

Lord Kirkwood of Kirkhope: Should it be a government lily pond?

Jon Boagey: The lily pond is what is there at the moment.

The Chairman: I do not know what people who are watching this are thinking.

Jon Boagey: For young people outside of school it is pot luck at the moment whether they come across a programme or whether they get the right support. That is not good enough. We need something that hits those life moments, such as apprenticeships or youth obligation. It does not seem to be so difficult that it cannot happen, but the Government need to get a grip and make it happen.

Louise Macdonald: For me it would be about truly listening to the voices of young people and really understanding, when you are having your deliberations, the reality of life for young people now, the decisions that they face on a daily basis and what is happening for them. The power of co-designing whatever comes from this with young people is central, because young people are experts in their own experience. Look for evidence of where it is done with them, rather than done to them. That would be my central message. Really understand the reality of young people’s lives, because it is not the same as when we were 16.

Sarah Milan: I see it as a positive that what both my colleagues have said reflects what I would like to say, too. Any services must be accessible and work across departments and all the agencies that impact on young people’s lives. They must respond to young people’s real-life experiences, not just in the present day but historically. It is about taking into account who they are and where they are coming from.

The Chairman: Thank you all very much for an interesting and informative session. I just repeat that if you have any further thoughts that you want to send us when you look at the transcript, we would be happy to receive them—indeed, it might work the other way round as well. We thank you very much indeed and wish you well in your work.