TISA

Response by TISA to the Call for Evidence on the Financial Inclusion Strategy

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About TISA

Supporting the financial journey through life

The Investing and Saving Alliance (TISA) is committed to improving the financial wellbeing of all UK consumers by working collectively with the financial services industry to deliver solutions and champion innovation, for the benefit of people, our industry, and the nation.

We do this by working with our member firms to deliver practical solutions and devise innovative, evidence-based strategic proposals for government, policy makers and regulators that address major consumer issues.

We care about the entire financial life of consumers: from their first savings account opened to ensuring people can age and retire with dignity. TISA believes that savings and investments play a significant role in the lives of people and small businesses. Consumers benefit when they put aside money for their future. Saving and investing can provide a buffer for emergencies; help people achieve big and small goals throughout their lifetime; and give people quality of life in later years.

TISA is a not-for-profit membership organisation and a trusted partner of key industry stakeholders in helping shape the future of the UK financial services and the environment in which we operate. We have approximately 270 member firms involved in the supply and distribution of savings and investment products and associated services.

Our work, your influence

Our policy work reflects TISA's broad scope of interests and aims on meeting the needs of UK consumers, members and our industry. From improving financial education, inclusion and accessibility, right through to savings, investments and retirement planning, the work we do with our members to **influence policy** is crucial in enhancing the industry we operate in and driving positive change.

As part of our commitment to delivering focused and impactful consumer outcomes, TISA's policy working groups have been structured into **four distinct workstreams**:

1. **Consumer Protection -** *Protecting the best interests of UK consumers in their financial journeys.*
2. **Consumer Access -** *Considering issues that could directly impact access to financial products.*
3. **Effective Products -** *Examining key considerations and legislation relating to products across the investing and saving landscape.*
4. **Corporate Responsibility**
   Exploring issues that directly impact society, the environment, and the economy.

All groups focus on both strategic and technical elements of policy/regulation. We provide a channel for firms to have their say on the policy we develop and present, contribute to our technical and regulatory interpretation work and, importantly, gain insights from other TISA members, policy makers, government and regulators.

Find out more about TISA here: **www.tisa.uk.com/about-tisa**

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Executive Summary

TISA welcomes the Government's Financial Inclusion Strategy. Large swathes of the UK population have faced squeezed living standards and declining financial wellbeing: through loss and reduction of wages during the Covid epidemic, increases in inflation and consequent increases in interest rates.

The Strategy is the first joined up policy package since Covid that seeks to address these issues and help those most in need. The Strategy seeks to ensure: fair access to basic financial products at an affordable rate, those in poor credit situations have access to help, and an increase underlying financial literacy and awareness with an aim to improving financial decision making over the long term. These are some of the basic building blocks to ensuring financial inclusion. TISA stands ready to support the delivery of the Strategy, most notably through our role on the National Coalition for Workplace Savings and our advocacy in respect of financial education, inclusive access to products and service, and financial capability.

We welcome the opportunity to provide evidence on the themes and effectiveness of the Strategy. Overall, we think the objectives that are identified in the Strategy are important, but feel that additional barriers, notably ethnicity, is not sufficiently identified and addressed in the Strategy. Given research evidencing the extent and impact of the ethnicity premium in the UK, we would expect a robust Government response. We would also welcome a legislative or regulatory underpinning, in order to effectively measure financial inclusion/exclusion and ensure meaningful change.

We would like to thank the Treasury Committee for conducting its inquiry and we stand ready to provide further evidence and support, in order to ultimately improve the financial wellbeing of UK consumers.

Original Parliamentary Source: https://committees.parliament.uk/writtenevidence/160868/html/

Responses to CfE Questions

Scope and Foundations
What do you see as the major challenges to financial inclusion in the UK?

- At a macro level, growing uncertainty in global financial markets and trade policy is causing disruption globally, with low-income people and small business owners facing the most severe consequences. In addition, central bank responses to inflation has disproportionately impacted these sectors of society. Targeted fiscal (and other Government) policy should seek to tailor interventions to decrease impacts on financial exclusion and more pointedly address these underlying challenges.

- Consumer access to financial services: from basic banking services through to credit, insurance, savings and investments. This is heightened where consumers are digitally excluded, also impacting the costs of services and products for all consumers. Lack of digital literacy also leads to increasing numbers of consumers being susceptible to financial crimes, such as scams. Increasing digital inclusion and literacy can lead to enhanced consumer protections and trust.

- Consumer access is one challenge, but ensuring that people feel supported, and knowledgeable enough to make financial decisions is another intrinsically linked challenge. Ensuring people are financially literate helps them understand the consequences and implications of their financial decisions (including the decision to do nothing). The lack of financial education and support in the UK directly impacts consumer trust. Distrust extends to financial services products, providers and digitisation.

- Discrimination based on gender, ethnicity, age, religion, or other social factors can further exclude certain groups from the financial system. This can manifest as biased lending practices, limited access to financial services in certain areas, or outright denial of services. For example, the disparity of information and accessibility to information across different age groups can limit opportunities for growth and support in developing financially sound behaviours. The UK has anti-discrimination law. These laws should be properly supervised and enforced.

Does the Financial Inclusion Strategy (FIS) address the main challenges to financial inclusion in the UK?

We welcome the Financial Inclusion Strategy. Large swathes of the UK population have faced squeezed living standards and declining financial wellbeing through: loss and reduction of wages

during the Covid epidemic, increases in inflation and consequent increases in interest rates. The Strategy is the first joined up policy package since Covid that seeks to address these issues and help those most in need. The Strategy seeks to ensure: fair access to basic financial products at an affordable rate, those in poor credit situations have access to help, and an increase underlying financial literacy and awareness with an aim to improving financial decision making over the long term. These are some of the basic building blocks to ensuring financial inclusion.

We also welcome the Strategy's focus on product design and ensuring that financial products work for people. It is vital that UK financial services serve the people of the UK. At present, this is not happening because it is not in the commercial interests of financial providers. Whilst the strategy aims to ensure this happens, it relies upon "soft powers", such as convening and voluntary agreements. Without a legislative or regulatory framework to underpin the strategy, it may be difficult to deliver the strategy's aims.

Are there any major areas of financial exclusion not addressed by the strategy?

The ethnicity premium is not addressed, or even mentioned, in the Strategy. Research by the Citizen's Advice Bureau has shown that people of colour consistently pay more for car insurance than white people – the current premium is estimated to be £250 a year. The research points to a serious and worrying link between ethnicity and insurance costs. In addition, recent research by Rooted Finance assessed the systemic barriers blocking equitable financial access, exposing the ethnicity premium across credit, mortgages and insurance products. The ethnicity premium is endemic and systemic and warrants a robust response from the Government to clearly communicate that these practices will not be tolerated in the UK and to ensure that ethnic minorities are not financial excluded or discriminated against.

We await a Government response.

Are the six pillars of the strategy the right foundation for achieving its objectives?

We welcome the Strategy and think it does contain some of the key foundations to improving financial inclusion. The pillars address many of the challenges to financial inclusion that we identified in our earlier response.

We think the Strategy could be strengthened further by incorporating policies and approaches that directly seek to address the ethnicity premium and if there was greater consideration given to how the strategy can be codified. These steps would demonstrate an even greater commitment to financial inclusion and ensuring the success of the Strategy.

Is the Government taking the right approach by treating mental health, accessibility, and economic abuse as cross-cutting themes within the Financial Inclusion Strategy, rather than as standalone priorities/pillars?

We agree with the Government that these issues are cross cutting themes.

Targets, Timeframes, and Resources
Are the targets set in the strategy reasonable and achievable?

The strategy does not set targets. Instead, the strategy outlines metrics that will be taken into consideration to determine whether the strategy has impacted financial inclusion.

Is the proposed two-year timeframe for reviewing progress appropriate? Does this period allow sufficient time for the plans to develop without risking unnecessary delay?

Yes.

Are sufficient resources and funding allocated to support the initiatives outlined in the strategy? Is the funding sustainable to support long-term impact?

We would like to comment on the use of dormant assets to fund financial inclusion efforts. Dormant assets are money that belongs to consumers, that have not been used for a long time and where the financial services provider has been unable to contact the owner. These assets can be transferred to a scheme that uses the funds for social and environmental initiatives if the owner cannot be located.
With the increasing digitisation of the economy, and in particular through initiatives such as open banking, open finance and the pensions dashboard, we would expect people to be reunited with these "lost" assets. This calls into question the long-term sustainability of relying upon dormant assets to fund financial inclusion initiatives.

We would also note that in the short to medium term, dormant assets could be used to fund elements of financial education, whilst respecting the additionality principle. The DfE's decision on the national curriculum does not come into force until the start of school year 2028 and there are multiple opportunities to improve financial education and literacy outside of schools (as recognised in the Financial Inclusion Strategy). We note that the scope outlined in Fair4All Finance's consultation on use of dormant assets for financial education and capability purposes is very narrow and misinterprets the additionality principle. We have urged Fair4All Finance to reconsider so that these funds can have a meaningful impact on financial education and capability, and to ensure that the funds are applied in a way that aligns and increases the likelihood of the Government's objectives in respect of financial education being successful.

Policy Design and Effectiveness
Have the most significant barriers to financial inclusion been correctly identified?
Most of the significant barriers to financial inclusion have been identified. Please see our earlier responses for additional challenges that are not identified in the strategy.

We would also add that digital literacy is also a significant barrier. The UK needs to normalise lifelong learning, as our economy and society become increasingly digitised. As technological developments enable financial product and service developments and changes, it will be vital that the population can understand, access and reap the benefits.

Are the policies highlighted in the strategy well-designed to tackle the identified barriers?

We particularly welcome the leadership demonstrated by the Department for Education in respect of the policy to add financial education to the curriculum for primary schools. It is essential that the Government plays this leadership and central coordination role, so that all children can receive an effective financial education which will form the bedrock of financial participation and inclusion. The precise detail as to how financial education and literacy will be added to the curriculum is currently unknown. For example, we do not know if children will receive several hours a year of financial education, or one hour every five years. We also do not know how teachers and schools will be supported with delivering financial education. As noted in our previous response, we see a clear role for the Dormant Assets fund to bridge this gap and ensure the DfE's policy lands upon a strong foundation.

It is clear that the vast majority of teachers believe that financial education should be taught. However, research by the University of Edinburgh has shown that many teachers lack confidence in delivering financial education, with a significant number indicating they do not feel adequately prepared or skilled to teach these topics. This lack of confidence contributes to the overall deficiency in financial education provided to students. To address this, we strongly recommend that the Department for Education works with the ecosystem of existing financial education providers to do this. To connect the schools with the providers, the DfE could extend its existing Dedicated Schools Grant scheme. Leveraging the existing network of financial education providers can help deliver financial education, whilst supporting and upskilling teachers, in a tried and tested manner. Schools understand the Dedicated Schools Grant scheme and it is working well in improving the support given to teachers, the quality of PE lessons and the number of active children in England. We believe this model could also lead to dramatic improvements in the financial education children receive, whilst also supporting and upskilling teachers. The financial services industry can also provide support on a volunteer basis, using CSR days, to deliver financial education in schools and other settings. TISA is working with its members to develop a Volunteering Hub that can facilitate this.

We welcome the launch of the National Coalition for Workplace Savings Schemes. Whilst an initial focus will be encouraging greater take up of these 'opt in' schemes by a broad spread of employers and employees, a longer-term strategy needs to focus on removing the legislative barriers to enable these to operate on an 'opt out' basis, similar to Auto Enrolment. Research by NEST Insight clearly demonstrates this model generates far greater participation and saving persistency rates.

How robust and effective are the monitoring and evaluation arrangements set out in the Financial Inclusion Strategy?

As noted, the Strategy does not contain targets. The monitoring and evaluation arrangements contained in the Strategy are fairly high level and seem to rely heavily on existing data sources, particularly the FCA's Financial Lives Survey. We would note that the FCA conducts its Financial Lives Survey every 2 years, with the next survey expected in 2026. This cycle does not align with the Strategy's monitoring and evaluation arrangements.

Are the proposed metrics and review mechanisms sufficient to track progress, measure success and hold delivery partners accountable? What additional data should be collected?

Please see our previous response. We would also note that the Strategy does not include any legislative or regulatory controls to hold delivery partners accountable. We assume that HM Treasury will be relying on its soft powers to ensure that delivery partners are held accountable.

For workplace saving schemes, one measure of success will be an uptick in the number of employers including them in their employee benefit packages. However, there will be other lower-level metrics that will also be needed to provide more context. For example, identifying how many employees have actually signed up to a scheme and how many have gone from having no savings to achieving an emergency savings buffer will be crucial. Appropriate measures to demonstrate success can be agreed by the delivery group. These success measures are not set out in the Strategy, but will be subject to further discussion with the National Coalition for Workplace Savings Schemes.

For financial education, we strongly recommend that related metrics are tracked to ensure inclusion is tackled at an early age and metrics should be incorporated into Ofsted reviews. It is not enough that financial education is on the curriculum, it is vital that it should be assessed in Ofsted review and output metrics tracked. To emphasise this point, we would draw attention to the following passage in the Education Select Committee report on Delivering effective financial education:

> "The evidence shows that the scant level of assessment performed by Ofsted undermines the importance of financial education, discourages school leaders and teachers from viewing the subject as a priority, and, consequently, that pupils are missing out. Research commissioned by Young Enterprise found that Ofsted has a powerful influence in shaping schools' priorities, including through the inspection process. One secondary school teacher responding to its survey said: "If it doesn't provide the school with something to boost their Ofsted rating, they'll not be interested.""

For this reason, we continue to urge the DfE to work with Ofsted to review how Ofsted can improve its evaluation of financial education. We recommend that citizenship provision be inspected under the quality of education key judgement and personal development.

We also recommend that the Government applies to participate in the next PISA financial literacy assessment and engages with the devolved administrations to encourage them to do likewise.

It will also be important to continue to embrace research and for ongoing assessment and monitoring, if we want to truly understand the impact changes to the national curriculum, including the delivery of financial education.

Are the right parts of Government engaged in fulfilling the strategy?

Cross-government coordination is evident across the Strategy. This is a very welcome.

We would note that the action given to the FCA to undertake a review of the cash regime's effectiveness did not seem to take account of the Bank of England's role in respect of cash. We would expect the Bank of England to play a role, perhaps lead, this review rather than the FCA.

Does the strategy make sufficient use of legislative or regulatory tools to guarantee inclusion?

No. The strategy primarily relies upon "soft powers" such as industry good will and convening powers to facilitate discussions. The strategy is not underpinned by a legislative or regulatory framework to ensure its success.

We welcome the launch of the National Coalition for Workplace Savings Schemes. Whilst an initial focus will be encouraging greater take up of these 'opt in' schemes by a broad spread of employers and employees, a longer-term strategy needs to focus on removing the legislative barriers to enable these to operate on an 'opt out' basis, similar to Auto Enrolment. Research by NEST Insight clearly demonstrates this model generates far greater participation and saving persistency rates.

Does the strategy adequately account for devolved responsibilities and regional variation in financial exclusion?

We are not best placed to advise on this, however it is evident throughout the Strategy that consideration has been given to this matter.

Stakeholder Engagement
Were all relevant stakeholders adequately represented in the development and delivery of the strategy? If not, who was missing?

On the 18th December 2024. TISA wrote to the then Economic Secretary to the Treasury to express our interest in contributing to the work of the Financial Inclusion Committee. Considering TISA's longstanding expertise in promoting financial inclusion across the UK, especially in financial education, inclusive investing, support for customers with characteristics of vulnerability, open finance, and digital innovation that supports digital inclusion, we highlighted the value we could

bring to the Committee's work and to the development and implementation of the Government's Financial Inclusion Strategy. While we did not receive a response to that correspondence, we remain committed to supporting the Government's objectives in this area. We are therefore pleased to be playing an active role in convening a national coalition of employers to encourage the take up of payroll savings as a means of strengthening financial resilience, as part of the wider Financial Inclusion Strategy.

Has the strategy struck the right balance between industry and consumer perspectives?

We are aware that a number of consumer groups and lived experience groups would have liked to have had more engagement in the development of the Strategy. Ensuring these groups are appropriately involved in the delivery of the Strategy will be crucial to facilitating its success.

Which stakeholders should be particularly the focus of any additional engagement?
We strongly recommend that additional engagement focusses on consumers with lived experience. These people know and understand the challenges they are facing and can comment on the practical implementation and workability of any solutions.

We would also encourage greater engagement with the Bank of England. Their systemic approach and data collection capabilities could be valuable.

Priorities and Impact
Which priorities should be addressed first to maximise the impact of the Strategy? Has the Strategy struck the right balance by focusing on actions that would deliver the greatest impact early on?

Policies that seek to help those that are currently financially excluded or are in financial difficulties should be prioritised. Thus, priority should be given to policies that seek to address discrimination, underserved sectors of society (e.g. victims of domestic abuse or self-employed people), and those currently in a bad debt situation.

Broader Considerations
Can or should any of the policies contribute to reducing inequality, for example by improving access to financial markets?

Yes. The reason wealthy people get wealthier and poor people get poorer, is because one of those groups is accessing capital markets. Improving access to financial markets is vital if we are to achieve inclusive growth and wealth.

Should the Strategy include measures to address particular challenges related to financial exclusion only faced by those with certain protected characteristics?

Yes. The UK official sector should be collecting this information, otherwise it cannot assess whether those with protected characteristics are facing financial exclusion and ultimately discrimination. This data is essential to ensuring the proper supervision and enforcement of the rights assigned to people with protected characteristics.

For example, the Bank of England collects data on of credit flows across the economy. This data should be broken down by protected characteristic, so the Bank can understand whether money is properly flowing through the economy, or if certain portions of society are being excluded. This information is collected by other central banks, most notably by the US Federal Reserve. The Community & Reinvestment Act provides a framework which ensures appropriate data is collected and that the official sector can take informed policy decisions and target interventions to tackle financial exclusion.

Is there scope for Treasury-supported mechanisms to provide affordable or interest-free credit to individuals who struggle to access mainstream lending?

As mentioned, the UK financial services industry should service the UK population. A legislative mechanism, akin to the US Community & Reinvestment Act could ensure that affordable or interest free credit is available to individuals. Inclusive design and guiding investment into underserved portions of society can achieve this. For example, credit free overdrafts were introduced during Covid. If a basic £100 overdraft were made available for all current accounts, this could provide a vital lifeline to millions of people who currently struggle to access mainstream lending. The sums of money involved are not large, even when scaled and this should not be beyond the wit of the industry to innovate and design inclusive products that serve the actual needs of people. Inclusive design, underpinned by a legislative framework could facilitate this without HMT needing to act as a backstop.

To what extent will the Strategy aid the Government in its Growth mission?

The IMF outlines the following drivers of growth:

- **Human capital** – Highly skilled, educated and well-trained workforces have a direct impact on economic performance; as well as ensuring quality output, work will be more efficient. Conversely, unskilled, under-utilised workforces will have the opposite effect, negatively impacting economies and raising unemployment levels.
- **Physical capital** – Infrastructure – such as factories, transport links and machinery – reduces costs, facilitates international trade, improves labour productivity and increases economic output and efficiency.
- **Natural resources** – These resources, such as oil, can boost production capacity and therefore economies. Proper utilisation of natural resources by governments is key to this, and is influenced by skills and knowledge, availability of labour and technology.
- **Technology** – Technological change and advancement significantly impacts economic growth, as new technologies have the potential to increase productivity and advance economies at lower costs.

The Strategy's policies that seek to increase financial education and literacy will have a direct impact economic performance. It will make UK citizens more employable and will also ensure they make more informed financial decisions, improving their financial wellbeing and personal wealth. These measures are also complemented by HMT and FCA's ongoing Advice Guidance Boundary Review. The introduction of the Targeted Support policy and the democratisation of financial advice will help bridge the current advice gap for people who currently do not get the right support. These measures all have macro consequences for the UK, including the extent of the reliance on the welfare state. For example, it is estimated that prioritising financial education could inject an extra £7 billion into the UK economy each year.

The Strategy's policies that seek to increase digital inclusion will also lower costs for companies, thereby increasing growth. This also increases the skills and knowledge of individuals, again increasing human capital inputs to growth calculations.

We would also note that increased financial wellbeing can also have a material impact on productivity and growth. The Mental Health Foundation found that over 40% of UK adults have experienced financial worries and nearly a quarter of them said that these worries had a significant impact on their mental health. LSE research indicates that mental health problems cost the UK economy at least £117.9bn annually. Improving financial wellbeing, by ensuring people can access financial services products and have support and advice should they need it, will improve productivity and ultimately growth.

How community-based solutions, including banking hubs, can play a greater role in improving access to financial services and supporting financial inclusion?

Community-based solutions are well placed to improve access and support. Community providers understand and serve their community. They are trusted by their community. As mentioned in our earlier response, distrust is a key challenge that needs to be addressed. Community-based providers and solutions are essential to overcoming this challenge.

The UK should adopt the US approach – the Communities & Reinvestment Act. This provides a legislative framework that is supervised by the Federal Reserve. It ensures that specified underserved portions of society are able to access financial products and services. It ensures that underserved portions of society receive investment to increase financial inclusion. The delivery of the Communities & Reinvestment Act's objectives is largely achieved through community banking in the US. A successful model exists. The UK should adopt it.