



# **Response to the Welsh Government's Revised Financial Inclusion Strategy for Wales**

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4th Floor, Trafalgar House | 5 Fitzalan Place | Cardiff | CF24 0ED

Tel: 03000 231 011 | Fax: 03000 231060

[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)

# Citizens Advice in Wales

Citizens Advice is a charity founded in 1939. Since then, we've given advice, information and support on a range of everyday issues to anyone who needs it, from debt, money and welfare benefits to housing, employment and relationships.

Our financial education sessions and income maximisation programmes also help people to take control of their finances and ensure those in need are claiming all the financial support they are entitled to.

In Wales we have a network of 19 local Citizens Advice<sup>1</sup> - all individual charities, staffed by nearly 800 dedicated volunteers and paid staff.

We remove the barriers to advice by going to places where people need us most, delivering advice from over 375 community locations in Wales, as well as offering services over the phone and online.

Every year across England and Wales millions of people turn to us. This gives us a unique insight into their needs and concerns. We use this knowledge to campaign on big issues, both locally and nationally. So one way or another, we're helping everyone – not just those we support directly.

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<sup>1</sup> Citizens Advice is changing. We are modernising our services to respond to changing needs and to reach more people. As part of this process there will be a new name for the service - 'bureau' is now called local Citizens Advice.

# Summary

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Citizens Advice Cymru welcome the Welsh Government's continued commitment to tackling financial exclusion in Wales. We strongly agree a complete revision of the last Financial Inclusion Strategy is needed to help ensure that actions to promote financial inclusion across Wales take account of developments over the last seven years, in particular the on-going financial pressures many households in Wales are experiencing as a consequence of welfare reform.

We agree with the three core themes identified within the Strategy and strongly support a number of the commitments, other commitments however are very broad. Many also lack detail on how they will be implemented. Without sight of a Delivery Plan it's difficult to assess how many of the commitments will be achieved.

Our response contains a detailed assessment of the draft Strategy, together with a number of recommendations where we feel things could be improved. Several of these priorities are listed below:

- We believe the emphasis throughout the Strategy should be on those experiencing the most detriment, particularly those living in poverty or whose circumstances mean they are more likely to be experiencing financial exclusion. Constrained national and local government budgets mean it is critical that support is effectively targeted at those most in need.
- The Welsh Government should work with Post Office Limited to monitor the impact of the Network Transformation programme on the availability of banking services, free-to-use cash machines and over-the-counter cash services throughout Wales.
- We agree credit unions play an important part in improving access to affordable credit in Wales, however we do not believe they, or other non-for profit lenders are the only solution. There needs to be greater choice at this end of the market so people with the least financial resources are able to shop around like other consumers. Mainstream banks and building societies should provide short-term affordable credit products that are more suitable to the needs of those on low incomes, as has been the case with basic bank accounts.

- We believe it is vital that a longer term arrangement is put in place to provide financial support for people in Wales who find themselves in crisis situations or particular hardship. We are currently calling for the next Welsh Government to commit to continuing the Discretionary Assistance Fund for the length of the next Assembly term.
- There is a need to examine how public sector authorities and other not-for-profit organisations, including housing associations, manage debt. We would recommend the Strategy includes a commitment for the Welsh Government to work with local authorities and housing associations across Wales to review their debt collection practices and make improvements where deemed necessary. We would welcome the opportunity to work with the Welsh Government, WLGA and Community Housing Cymru to progress this.
- We believe it is particularly important that any directory developed as part of the work being taken forward by the National Advice Network (NAN) only includes debt advice providers authorised by the Financial Conduct Authority. Unregulated debt advice has the potential to cause great detriment, particularly to those who are in vulnerable situations and/or those whose financial circumstances are already critical. Ensuring people are directed to regulated, quality-assured advice services is essential to ensure they're receiving the most appropriate support for their needs.
- We would welcome a specific commitment within the Strategy for the Welsh Government to work with local authorities directly to ensure looked after children and care leavers receive appropriate financial education as part of their care plan. It will also be vital that the tools used are 'quality assured' and that any specific sessions are delivered by appropriate and skilled practitioners to avoid misinformation.
- Welsh Government and the soon-to-be established Public Services Boards will need to ensure financial inclusion is recognised as a contributor to well-being when they undertake local assessments and develop their local well-being plans. Such plans should include raising awareness of quality-assured advice services and ensuring effective partnerships are established with accredited advice providers in each local authority area.
- In order to maintain an accurate picture of the extent of financial exclusion in Wales on-going nationally representative consumer research will be needed to help track progress.

# Consultation questions

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## Q1. Do you agree with our vision for financial inclusion?

Yes, with qualifying comments as below.

### Comments:

Citizens Advice Cymru agree that since the Welsh Government's first Financial Inclusion Strategy and Action Plan was launched in 2009 there have been a number of significant and welcome developments in relation to tackling financial exclusion in Wales. During that time however, as noted within the Strategy, both the economic landscape and UK policy landscape have changed substantially.

While the UK economy is now improving, the impact of the recent recession, on-going austerity measures by the UK Government and subsequent policy and legislative changes since 2010, continue to have a significant impact on the financial well-being of many people in Wales.

Local Citizens Advice across Wales have seen significant shifts in the types of issues people are seeking advice on over the last four years. Since 2011-12, benefits-related problems have overtaken debt issues to become the biggest problem area on which clients seek our help - **currently accounting for nearly 4 in 10 of all problems dealt with by the service**. The type of debt problems people are coming to us with is also changing. Consumer credit problems still remain high however we are seeing an increase in people struggling with essential household bills. This situation can largely be attributed to both the economic downturn and a whole series of changes to the benefits system, the like of which has not been seen for decades.

Against such a challenging situation we welcome the Welsh Government's continued commitment to tackling financial exclusion in Wales. We strongly agree a complete revision of the Strategy is needed to help ensure that actions to promote financial inclusion across Wales take account of developments over the last seven years, in particular the on-going financial pressures many households in Wales are experiencing as a consequence of welfare reform.

We agree with the three core themes identified within the Strategy and welcome recognition that actions within each theme should not be viewed as mutually exclusive to a particular theme. For example, **we particularly support the fact that improving financial capability underpins all the other themes in the Strategy.**

We appreciate the strategy needs to be universal and applicable to people at differing points on the financial inclusion spectrum, however **we believe the emphasis throughout should be on those experiencing the most detriment, particularly those living in poverty or whose circumstances mean they are more likely to be experiencing financial exclusion. This is likely to include people in receipt of benefits, social housing tenants, people living with a disability or long-term health condition, lone parents, younger people (especially those without direct family support) and people living in rural areas.** Specific circumstances affecting the latter group include a low pay economy, a generally higher cost of living, poor access to digital services, and less support through Welsh Government anti-poverty programmes as the majority of rural locations are outside Community First areas. **Constrained national and local government budgets mean it is critical that support is effectively targeted at those most in need.**

There are a number of commitments within the Strategy which we strongly support (*in some cases we have suggested slight amendments or expansion - see more detailed comments under each question*), including commitments to:

- work with LINK and others to progress the installation of free-to-use cash machines in Wales, as part of the on-going LINK Financial Inclusion Programme;
- strengthen signposting to the Discretionary Assistance Fund (DAF) and increase the number of DAF partners;
- work with the Credit Union sector to encourage the take-up of Payroll Deduction;
- produce an accurate, accessible and up-to-date directory for *quality assured* information and advice services in Wales;
- only extend financial support for quality-assured information and advice provision;
- identify and train frontline staff from a range of organisations, including the health service, to provide signposting services to up-to-date information on *quality assured* advice services;
- work with the Money Advice Service (MAS) to take forward the actions in their Financial Capability Strategy for Wales;

- strengthen the provision of financial education in schools.

Citizens Advice Cymru believes that some of the commitments within the Strategy however are very broad. Many also lack detail on how they will be implemented. We note that a Delivery Plan will be developed later in 2016 to support the Strategy (we would welcome clarification on whether the Plan will be subject to consultation and when it is likely to be published) and expect further detail on specific actions will be provided in this Plan. We would expect the Plan to include clear milestones and desired outcomes of what can and should be achieved each year up until 2020 (the period covered by the Strategy), and also, where relevant, beyond this time.

We note that progress against actions will be reported annually, and welcome this, however it is unclear at this stage how this will be done. A range of evidence sources have helped to inform the Strategy, including the National Survey for Wales 2015, and indeed our own evidence, but we would like to see further clarification on how progress will be monitored in the future. **We will continue to share with Welsh Government and other partners any relevant evidence available through the Citizens Advice service, both Wales specific and, where appropriate, data for England, however we also believe in order to maintain an accurate picture of the extent of financial exclusion in Wales on-going nationally representative consumer research will be needed to help track progress.** For example, awareness and usage of different financial products, as well as skills and confidence levels when dealing with money matters. This could be via the National Survey for Wales, bespoke research or, if relevant and statistically robust data is available for Wales, via secondary sources (eg. research undertaken by the Money Advice Service (MAS)).

We welcome the fact that the Delivery Plan will include actions relating specifically to people with protected characteristics. We would also like to see specific actions relating to people who are experiencing most detriment or who are more likely to be experiencing financial exclusion (as referred to earlier - such people may or may not be different from those with protected characteristics). Any monitoring or research activity will also need to provide a breakdown of progress against different target groups.

**Q2. Do you agree with our proposals for improving access to affordable credit and financial services?**

Yes, to an extent - see comments below.

## Comments:

Designing financial products and services that are better suited to the needs and circumstances of low income consumers is a critical part of the financial inclusion agenda. Over the last decade a range of products have been developed to help satisfy these needs: basic bank accounts, services provided by credit unions and community finance institutions (such as Moneyline Cymru), and insurance with-rent schemes, to name a few. However, many of these products have experienced varying levels of success both in terms of take-up and levels of usage. This may indicate they are still not fully meeting consumer needs, that there is a lack of understanding as to how they work, a general lack of awareness that they even exist, or all of the above.

Several of the commitments within the Strategy focus on signposting or raising awareness of different products and services, while such activities are important addressing low usage is as much about understanding the reasons behind this as informing people about what products or services are available. Such intelligence can then be used to help develop solutions to overcome any potential barriers. There has been growing recognition in recent years of the need to gain a better insight of what influences financial behaviours, with recent work being undertaken by the Money Advice Service (MAS) and the Young Foundation<sup>2</sup>. Speaking directly to people on low incomes about what drives their behaviour when it comes to money and what they look for and need in financial products, as well as what prevents them from using existing products, is a critical part of this process. **We would urge Welsh Government and others to continue with this form of consultation to help develop more effective solutions to tackling financial exclusion, and we would welcome the opportunity to work with you on this.**

**Investment in building people's financial capability to increase their confidence to switch to, and use, such products, as well as addressing concerns they may have about certain products, is equally important.**

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<sup>2</sup> 'Financial Capability in Wales 2015', Money Advice Service (November 2015) and Young Foundation research with high cost credit users.



## Transactional accounts

Citizens Advice Cymru agree that transactional bank accounts make an important contribution to financial inclusion. In March 2014 we commissioned specific research to help gain an understanding of bank account use across Wales<sup>3</sup>. This research found 6% of the adult population remain 'unbanked' with higher proportions of people in the lowest income group (social grade DE), and people living with a disability or long-term health condition, not having a current account with a bank, building society or credit union (10% and 11% respectively).

In addition around 1 in 5 people with a bank account (18%) don't use direct debits. The main reason given for this was because people preferred to pay bills when they get them (55%), however nearly 1 in 10 were also worried about bank charges (9%) or said they find it difficult to budget using direct debits (8%).

This supports previous research undertaken by Consumer Focus Wales<sup>4</sup> with people who largely live on a cash budget. That research found self-exclusion is commonplace when it comes to using bank accounts to their full potential. For many of those living on a low income maintaining control over their finances is critical. Paying by cash is therefore an active choice and not just a default position. There is also a general mistrust and suspicion of banks amongst some.

As acknowledged within the Strategy there will be even more pressure on many low income consumers to use bank accounts over the coming years, particularly those in receipt of benefits, with the on-going rollout of universal credit. We welcome the recent agreement between the UK Government and the majority of high street banks and building societies to offer new basic bank accounts, with no fees or penalties for failed payments. This is a very positive development.

There is however still a long way to go to both raise awareness of such accounts amongst those who would most benefit from having one and also, perhaps more critically, to build up trust between banks and people living on low incomes who prefer using cash, especially those who've had a bad experience previously.

Citizens Advice Cymru believe providing appropriate financial products and services more suitable to the needs of low income consumers is an important part of the jigsaw to promote wider financial inclusion. Investing in money advice and financial capability programmes, which help build people's confidence and

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<sup>3</sup> The Quarterly Welsh Omnibus Survey is conducted by Beaufort Research Ltd and is representative of the population resident in Wales aged 16 and over. A total of 1,012 interviews were conducted between 3rd and 21st March 2014. The findings of this research are unpublished.

<sup>4</sup> 'Cost of cash', Consumer Focus Wales (November 2009)

understanding when dealing with both financial matters and institutions, is also needed to facilitate behavioural change. **We believe financial institutions themselves have a key role to play. This should include the provision of funding to support financial capability programmes being delivered by trusted partners within local communities, as well as their own staff providing face-to-face support when people are opening an account.** The latter could include information on available text alert services to help people overcome fears of losing control of their finances (such as weekly account balances and notifications if the account goes overdrawn).

Citizens Advice Cymru also believe alternative trusted providers, such as credit unions and Post Offices, have the potential to play a much greater role in the promotion of financial inclusion - subject to the right resources and commitment from the UK Government.

We strongly support the Welsh Government's commitment over the last decade to developing the credit union movement in Wales. The fact that membership has grown by around 60% over the last 5 years is to be commended. **We do however believe that it would be timely to undertake a full assessment of the extent credit unions across Wales are able to fulfill some of the commitments within the draft Revised Strategy. This would help to provide a more realistic picture of the degree in which individual credit unions are able to promote wider financial inclusion. We would recommend such a review takes account of a range of factors including their viability, accessibility and the extent their technical infrastructure allows them to offer a modern banking service.**

For example, the concept of 'jam-jar' accounts is something we support, however, we are concerned about the capacity of some credit unions in Wales to be able to provide such facilities to universal credit claimants without further wider investment to develop a suitable banking platform.

Citizens Advice became the statutory watchdog for post office consumers in April 2014. We agree the POca does not offer appropriate transactional facilities to help promote financial inclusion however the value many POca users place on this account is high. Recent research amongst POca users commissioned by Citizens Advice (soon to be published)<sup>5</sup> found two thirds of users (66%) said it is essential and they could not do without it, with a further 22% saying that it is important to the way they manage and use their money. POca holders are more likely to be

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<sup>5</sup> 1,002 15 minute face to face interviews were conducted between 6 January and 2 February 2015 with POca users in England (634 interviews), Wales (193 interviews) and Scotland (175 interviews). The data was weighted to make it representative of POCA users across GB. The findings are consistent across all GB nations.

older than the population average (almost 6 in 10 who took part in our research were aged 65+), however there was no significant differences in age when it came to the importance people placed on having such an account.

The research also found over half of POca users (52%) have no other account and almost 3 in 10 of those people who have another account (29%) still use their POca as their main account. Almost a quarter of POca users specifically cited trust of the Post Office as the reason they keep a POca.

The on-going rollout of universal credit will mean most working age POca users will be expected to move from having benefits paid into their POca to having them paid into a different transactional account. When asked what would be important if they were required to move away from a POca, the majority of working age POca users in our survey cited being able to still use an account offered by the Post Office (88%) or still being able to access their benefits money over a PO counter (82%).

In addition to these changes the post office network itself is currently undergoing its largest ever branch restructuring programme, known as the 'Network Transformation programme' (NTP) . By 2017/18, around half of the UK's post office network (around 5,500 branches) will convert to a new operating model - Post Office Local (PO Local). This will see more post office services offered from convenience stores, corner shops and petrol stations.

Citizens Advice support the aims of the restructure programme, which has promised to deliver a more sustainable branch network and branches that open during evenings and weekends, however our recent research (that tracks service standards and the branch environment in PO Locals) highlights how significant improvements are still needed if the benefits of the new models are to be realised<sup>6</sup>. **Citizens Advice are continuing to work with Post Office Limited (POL) to make sure consumers' needs are prioritised in the Network Transformation programme and its approach to rollout delivers the best possible outcome for consumers (also see comments under 'Access to cash').**

**As the NTP progresses Citizens Advice Cymru will highlight to Welsh Government any emerging issues regarding the network in Wales as and when appropriate. Welsh Government should also consider the role they have to play in supporting the sustainability of the post office network in Wales and we would welcome the opportunity to discuss this further.**

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<sup>6</sup> 'Fixing the foundations: branch and service standards in Post Office Locals', Citizens Advice (September 2015)

## Access to cash

Citizens Advice Cymru agree that it is critical that people have access to their own cash for free, especially those on low incomes or others experiencing financial exclusion. We welcome the positive developments since 2006 to increase the availability of free-to-use cash machines across the UK via the LINK Financial Inclusion programme. We are however concerned that 44 of the 185 original areas in Wales identified by LINK as a priority for a free-to-use machine remain outstanding and welcome the commitment within the Strategy that the Welsh Government will work with key partners and LINK to address this as a matter of urgency.

We would also like to draw attention to more recent analysis of the accessibility of free-to-use ATMs in deprived areas of England and Wales that was undertaken by Toynbee Hall on behalf of LINK in 2014<sup>7</sup>.

Using slightly different criteria from the original Financial Inclusion Programme (ie. more than 25% of consumers who were in receipt of government benefits) and smaller Output Areas (OAs), LINK have added a **further 957 OAs** to their target areas. The total figure for OAs in Wales is 256, with 211 remaining outstanding as of August 2015<sup>8</sup>. **We therefore believe the commitment within the Strategy should be extended to also include these newly identified OA areas.**

Many people also rely on the Post Office to access their cash (or pay bills). Our research with POca users (as referred to above) highlights the importance that POca users in particular place on being able to access their cash over the Post Office counter. These customers typically make frequent cash withdrawals, often in small amounts - typical budgeting behaviour for many low income consumers, particularly those without transactional bank accounts<sup>9</sup>. Our research found almost three-quarters of POca users (74%) withdraw cash over the counter at least once a fortnight, with 53% doing this weekly. Likewise almost two-fifths (39%) check their account balances over the counter at least once a fortnight. For some users this is the only way they access their cash. Over half of all POca users (56%) say they do not use ATMs for cash withdrawals<sup>10</sup>, although younger consumers (aged 44 and under) are more likely to use ATM services.

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<sup>7</sup> 'How far is too far? Is there low income consumer detriment from gaps in free-to-use ATM provision', Toynbee Hall ([http://www.link.co.uk/SiteCollectionDocuments/Toynbee\\_Hall\\_Full\\_Report.pdf](http://www.link.co.uk/SiteCollectionDocuments/Toynbee_Hall_Full_Report.pdf))

<sup>8</sup> OAs are significantly smaller than SOAs (around 5:1) and there are overlaps with the original programme.

<sup>9</sup> 'Opportunity knocks: banking solutions for low-income consumers at the Post Office', Consumer Focus (2010): see also footnote 7

<sup>10</sup> POca users are only able to use Post Office/Bank of Ireland ATMs.

This reliance on over the counter services makes the findings of Citizens Advice's latest research on PO Locals<sup>11</sup> even more concerning. In 9% of visits mystery shoppers were unable to either make a cash withdrawal or take out the full amount they wanted. Counter staff said this was because they didn't offer the service; the branch only offered 'cashback'; or that it was only possible to do this when nominated staff members could access the safe.

We are also aware of a small number of cases in Wales where a PO ATM has not been transferred to new premises as part of the NTP.

Citizens Advice is currently calling on POL to prioritise the consistency and reliability of PO Local branches in the strategic delivery of the Network Transformation programme, and for improvements to how the programme is delivered to be appropriately resourced and subject to appropriate strategic oversight.

With almost half of the network affected it will be crucial that PO Locals can respond to consumers' banking, cash and bill payment needs. **We would therefore urge the Welsh Government to work with Post Office Limited and monitor the impact of the NTP on the availability of banking services, free-to-use cash machines and over-the-counter cash services throughout Wales.**

### **Borrowing and credit options**

Consumer Focus Wales research<sup>12</sup>, mentioned previously, found many people living on low incomes often have an aversion to going into debt. Despite this most felt they frequently have no option but to borrow occasionally to help them with everyday living costs/paying bills; cash flow problems and unexpected expenses. Many relied heavily on members of their family for credit. Due to their level of income or poor credit histories most found it difficult to get credit from mainstream providers. The nature of mainstream loans, i.e. monthly repayments and an inability to borrow small amounts, also means such products are unsuitable for the majority of people on lower incomes.

High cost credit providers, such as payday lenders; home credit companies, and credit retailers (e.g. Brighthouse) are often seen as more accessible and affordable, particularly as they offer the ability to instantly borrow small amounts, or buy products instantly, then pay back loans via smaller weekly installments.

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<sup>11</sup> See footnote 6

<sup>12</sup> 'Cost of cash', Consumer Focus Wales (November 2009)

Most users are very aware of the higher cost of borrowing this way however the short term benefits outweigh any longer term disadvantage/concerns.

The Strategy notes the impact changes to financial regulation have had on some forms of high cost credit, particularly payday loans. Since January 2015, when the new regulations started to be introduced, local Citizens Advice in Wales have seen a steady decline in payday loan related problems. Between April and September 2015 there has been a 42% decrease in such problems compared to the equivalent period in 2014. While these developments are very welcome, **we are concerned that there remains a 'supply gap' in affordable alternatives and that people in need still feel they have little option but to turn to other forms of high cost credit.**

We welcome the research currently being undertaken by the Young Foundation to gain a better understanding of the preferences and behaviours of high cost credit users in Wales and hope the findings will help inform future action to support people on lower incomes to access affordable credit.

As noted earlier in our response, Citizens Advice Cymru supports the Welsh Government's commitment to developing the credit union movement in Wales. As service providers, local Citizens Advice and credit unions have many shared aims and a similar client group. We also share similar challenges. These include managing demand versus capacity, the need to retain a community focus and to ensure our services are accessible and sustainable. As a result the relationship between local Citizens Advice and credit unions is generally good. We do however continue to look for ways we can improve how we work together. This may include maintaining regular contact, developing a mutual understanding of the services we both offer, and improving referral pathways.

**We agree credit unions play an important part in improving access to affordable credit in Wales, however we do not believe they, or other non-for profit lenders, such as Moneyline Cymru, are the only solution. There needs to be greater choice at this end of the market so people with the least financial resources are able to shop around like other consumers.**

The risk of being unable to pay back the loan is also much higher amongst people whose weekly income is low or limited. For example, in the home credit market if customers pay six out of ten repayments on time they are regarded as 'good payers'. The degree to which third sector lenders can absorb bad debt is severely limited, which means that, in many communities competing on the same basis as the home credit industry is near impossible and, at best, unsustainable.

**Citizens Advice believe more needs to be done to encourage mainstream banks and building societies to provide short-term affordable credit products that are more suitable to the needs of those on lower incomes, as has been the case with basic bank accounts. We recognise that this is not a devolved issue, but we would urge the Welsh Government to work with the UK Government to progress this issue and would welcome a commitment within the Strategy to this effect.**

In early 2014 Citizens Advice Cymru undertook an ad hoc survey to find out more about the experiences of both users and advisers (from local Citizens Advice and other organisations) in accessing the Welsh Government's Discretionary Assistance Fund (DAF) during its first year of operation<sup>13</sup>. Our research found views and experiences of accessing the fund were mixed and there were a number of areas where people felt it could be improved, such as the need for better advertising, simplifying certain elements of the application process, and rethinking the way DWP budgeting loans are pushed as an alternative to DAF.

Since that time there have been on-going improvements to the scheme and lessons have been learnt and acted upon. Over the last few months we have also been working closely with the Welsh Government and the Scheme Managers on further improvements. This has included contributing to the development of a Partner Guide which helps to clarify what it means to be a DAF partner, both for the organisations involved and for the clients they support. We look forward to continuing with this work over the coming months.

One of the most important findings of our research was the great value the majority of advisers and users place on having a Wales-wide emergency support system such as DAF. Critically the research showed the potential detrimental impact on people's health and well-being of either being refused support or not having a fund at all. **Citizens Advice Cymru believes it is vital that a longer term arrangement is put in place to provide financial support for people in Wales who find themselves in crisis situations or particular hardship, and is currently calling for the next Welsh Government to commit to continuing the DAF for the length of the next Assembly term. We also believe this should be retained as a national programme.**

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<sup>13</sup> 'Discretionary Assistance Fund Briefing, Citizens Advice Cymru (March 2015)

We have also heard anecdotally that demands on the Fund have been increasing lately due to benefit delays. Recent research with universal credit (UC) clients conducted by sixteen local Citizens Advice (including Flintshire)<sup>14</sup>, found many claimants were having to wait much longer than the 'standard' 5-6 week waiting time to receive their initial UC payment. The research highlights the negative impact such a delay can have on claimants lives, in particular their financial situation, health and well-being, and their ability to look for work. A series of structural and administrative problems have been identified as the main cause of the delays.

With nearly all local job centres in Wales now accepting some universal credit claims, the pressures on DAF are likely to escalate further. We are aware that the Welsh Government have regular discussions with the DWP about UC rollout and concerns have already been raised about the additional demands on funds such as DAF. **We would urge that Welsh Government continues to highlight these issues with the DWP. We will continue to provide Welsh Government with any further evidence of the issues being raised by local Citizens Advice about UC rollout in Wales.**

### **Financial safety net - savings and insurance**

Research commissioned by Citizens Advice Cymru and Shelter Cymru<sup>15</sup> in the summer of 2014 found a quarter of all those who were working and paid rent or had a mortgage (25%) said they would not be able to pay their housing costs at all if they lost their job within the next month as they had no financial provision, such as savings or insurance, to protect themselves in such a situation. This rose to almost a third of those from social grade C2DE (32%). A further 18% would only be able to keep up with payments for up to a month.

The same research also found 28% of adults in Wales had stopped contributing to savings due to the current economic situation, with little difference across social grades.

More recent research by MAS<sup>16</sup> found just over half of working age adults in Wales (53%) save some money every/most months, although only a quarter (25%) have savings equivalent to 3 or more months of household income. The corresponding figures dropped significantly for people on benefits which are due to be

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<sup>14</sup> 'Waiting for credit: the delivery of universal credit as experienced by Citizens Advice clients in England and Wales' (November 2015)

<sup>15</sup> YouGov on-line survey. Total sample size was 1,003 adults. Fieldwork was undertaken between 23rd - 26th July 2014. The figures have been weighted and are representative of all Welsh adults (aged 18+).

<sup>16</sup> 'Financial capability survey for Wales 2015', Money Advice Service (November 2015)



transitioned to universal credit (including those currently in receipt of tax credits), to 39% and 18% respectively. We know from other research<sup>17</sup> that most people living on lower incomes recognise the value of having a financial safety net, such as savings, but the realities of life on a low income often means saving even just a small amount is unaffordable.

While affordability is a key barrier for many people **we support Welsh Government actions that help people to save more, particularly those on lower incomes. This includes work with credit unions and major employers in the public and private sector to encourage the take up of payroll deduction.**

A range of products are available that try to meet the requirements of low-income consumers, including credit union savings accounts and specific home contents insurance products provided by social housing providers, however take-up remains relatively low. Following the theme throughout our response **we also believe the value of having a financial safety net, be that through savings, certain insurance products or a personal pension, is something that should continue to be promoted through financial capability and money advice programmes.**

As mentioned in the Strategy, Pension Wise is a free pensions guidance service, set up in April 2015 and funded by the UK Government, for people over 50 who have a defined contribution (DC) pension. Citizens Advice currently delivers the face-to-face guidance sessions that form part of this service in over 50 locations across Wales.

The pension freedoms introduced in April 2015 removed the effective requirement for consumers to purchase a guaranteed income product with their DC pensions. This created far more choice for consumers to draw their savings in ways that suit their personal circumstances.

Recent research undertaken by Citizens Advice<sup>18</sup> amongst people in their 50s and 60s who have DC pensions but have not yet started making active plans to withdraw them, highlights the uncertainty and confusion many people feel over their pension pots. Many consumers don't have a firm understanding of how their pension savings will convert into retirement income. Instead they are heading towards retirement just hoping that they will be able to make do with their eventual income, rather than feeling that they can adjust their saving levels to

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<sup>17</sup> 'Cost of cash', Consumer Focus Wales (November 2009)

<sup>18</sup> 'Approaching retirement', Citizens Advice (December 2015)

target the retirement income they want. The report identifies three key reasons for this:

- other life priorities as people approach retirement (in particular caring responsibilities);
- complicated retirement income streams which create uncertainties that make it hard for people to know what income they should expect and how much (and how) they should save;
- a lack of understanding of how pensions work or unwillingness to engage in something they don't see as a current priority.

Our report goes on to describe specific trigger points which may make consumers engage more with their pensions, including being encouraged to save by their employer or family members. The recent introduction of auto-enrolment is a welcome and important measure that is helping more people save, but Citizens Advice believe it is unlikely to be sufficient. Stronger triggers (such as auto-escalation for pension saving<sup>19</sup>) will be needed in future to support greater saving rates. The role of employers will continue to be critical.

Consumers also have their own triggers to withdraw their pension savings. Our research found more than one in four (26%) consumers would expect to draw their pension early if they had a change in health circumstances and one in five (20%) would take it if they lost their job. Over half of consumers (53%) also felt strongly that they would want support from an expert before withdrawing their pension income. **Good quality information, guidance and advice are therefore critical to help consumers with their choices.**

In our response to the UK Government's 'Financial Advice Market Review' Citizens Advice is calling for consumers to have access to help with their pensions throughout their lives, not just at the point of decumulation. As with many other forms of money advice we believe to be most effective pension help should be targeted at people during key points in their lives, such as when they change job or take out a mortgage. Any guidance people receive should also be responsive to individual needs and help refer people onto more formal financial advice whenever this is appropriate.

Throughout the Strategy the Welsh Government recognises the importance of collaboration. **We acknowledge that both the Money Advice Service and Pension Wise are currently being reviewed by the UK Government however**

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<sup>19</sup> This refers to the gradual increase in employee contributions that will be introduced as part of auto-enrolment over the coming years.

**Citizens Advice Cymru believe, as with work being taken forward by the Money Advice Service, the Strategy should include a more defined commitment regarding the integration of work being taken forward under the Pension Wise brand, with other activities to support the provision of money advice/promote financial inclusion in Wales.**

**Q3. Do you agree with our proposals for improving access to financial information, including debt advice?**

Yes - with some qualifying comments below.

**Comments:**

**Evidence from across the Citizens Advice network, together with a number of recent population-wide surveys, help to highlight the potential on-going and future demand for debt advice services in Wales over the coming years.**

Debt is currently the second biggest advice area for which clients seek help from the Citizens Advice service in Wales. During 2014-15 we helped more than 29,700 clients with over 125,200 debt-related problems, a rise of 19% compared to 2013-14. During the first six months of this financial year (up to the end of September 2015) we have helped over 13,800 people with more than 58,655 debt problems, a slight drop (-2%) compared to the same period in 2014.

In addition to the services provided every day by our local offices our 2014 YouGov survey<sup>20</sup> found only around a third of adults in Wales (36%) are keeping up with all their bills and credit commitments without any difficulty - this dropped to just 1 in 4 (26%) of those from social grade C2DE. Over a fifth (22%) said they were keeping up with payments but it was a constant struggle or had fallen behind with some payments. A recent survey undertaken by the Money Advice Service<sup>21</sup> also found 1 in 5 people in Wales are 'over-indebted'<sup>22</sup>.

As referred to earlier in our response, and also within the Strategy, the nature of debt problems being presented to local Citizens Advice has also changed over the last few years. Issues relating to consumer credit still remain high however increasing numbers of clients are coming to us regarding arrears on essential

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<sup>20</sup> See footnote 15

<sup>21</sup> 'Press release: Four in ten Welsh adults do not know their bank balance', Money Advice Service, 18 November 2015

<sup>22</sup> Defined as 'feeling debt is a heavy burden or missing three or more payments on bills or credit commitments'

household bills. During the first two quarters of 2015-16 we have seen decreases in many types of consumer credit debt problems, including credit cards, personal loans and payday loans. The proportion of problems relating to arrears on essential household bills (such as council tax, rent and water) however, are continuing to rise.

Citizens Advice Cymru is in the process of conducting some specific research to look into the rise in council tax arrears problems in more detail<sup>23</sup>. Council tax arrears is currently the largest single debt-related issue in Wales (up 19% during the first 6 months of 2015-16 compared to the same period last year). We have also seen a 20% rise in rent arrears problems amongst housing association tenants, and a 14% increase in issues relating to arrears on magistrates court fines and compensation orders during this time. Around a third of all council tax arrears problems relate to action from enforcement agents/bailiffs (as do almost half of problems relating to court fines).

**The rise in this type of debt problem highlights the need to examine how public sector authorities and other not-for-profit organisations, including housing associations, manage such debt. This includes the systems they have in place to refer residents/tenants who may be struggling with council tax bills, rent payments or other sundry debts, to independent debt advice services at the earliest opportunity.** Our council tax arrears research will explore this issue further, however some local Citizens Advice have reported that even when they are co-located in local authority offices, referrals to their service can be inconsistent, meaning some people may not always be getting the help and support they need. As referred to later in our response, this highlights the importance of training front line employees to provide effective signposting services .

We believe lessons can also be learnt from consumer credit providers who often have better systems in place when dealing with debtors. For example the use of the Common Financial Statement (CFS), which is used by many providers to ensure debt repayments are set at an affordable level, or the newly developed Standard Financial Statement (SFS)<sup>24</sup>. **We would therefore recommend the Welsh Government includes a commitment within the Revised Strategy to work with local authorities and housing associations across Wales to review their debt collection practices and make improvements where deemed necessary.**

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<sup>23</sup> The findings of this research are due to be reported by the end of March 2016

<sup>24</sup> The SFS (SFS) is a new tool that provides a universal income and expenditure statement, together with a single set of spending guidelines. It has been developed by the Money Advice Service in conjunction with a number of key stakeholders across the not-for-profit advice sector and major creditors. The SFS website is set to go live in 2016.

## **Citizens Advice Cymru would welcome the opportunity to work with the Welsh Government, WLGA and Community Housing Cymru to progress this.**

The whole raft of benefit changes that have been introduced by the UK Government over the last 3 years have had a significant impact on the financial security of many benefit claimants. Research commissioned by Citizens Advice Cymru last year<sup>25</sup> looked in detail at how changes to the benefit system are affecting people on a day-to-day basis. Most people had experienced changes to more than one of their benefits and as a result were having to manage on less money than they'd had before. Delays in the decision-making or appeals process and a tougher sanctions system were also leaving people struggling on no or little income while new claims were being processed or benefits had been stopped. Constant financial difficulties meant many were frequently going without basic essentials or felt they had no option but to go into debt, so that they could keep up with their rent payments and other everyday living costs. Others were struggling to maintain arrangements put in place to tackle previous financial problems.

### **Case Study 1: Flintshire Citizens Advice<sup>26</sup>**

*Jane came to Citizens Advice for assistance to claim PIP. The adviser felt that Jane could be entitled to the enhanced rate however she could not attend a medical due to her poor mental health. Capita did request that she attends a medical however, so the adviser requested this be with a female at an alternative address. The request was refused, so a complaint regarding disability discrimination was made. Capita acknowledged this and apologised for the way Jane had been treated. They returned her claim to DWP who awarded her the enhanced daily living element of £82.30 per week. She'll also receive an increase of ESA of £48.00 per week and back paid PIP of approximately £1,650.*

The evidence from Citizens Advice, and many other organisations across the voluntary and public sector, confirms how the benefit changes introduced to date have only increased hardship and anxiety for many people. Over the next five years the UK Government is seeking to find a further £12 billion savings from the welfare budget. Most of the additional changes will come into effect within the next couple of years at the same time as two of the biggest reforms - universal credit and PIP - are rolled out on a much greater scale.

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<sup>25</sup> 'One day at a time', Citizens Advice Cymru (July 2014)

<sup>26</sup> Names have been changed to preserve anonymity

**This means it will be more important than ever over the coming years that people in need of quality assured, independent advice to help them manage these changes, are able to access the right support as soon as possible.** As referenced within the Strategy, Citizen Advice clients also benefit from the service being able to link their benefits, debt, income maximisation, financial capability, money and wider advice offers together. All are essential elements within a joined-up package of advice and support.

## **Case Study 2: Caerphilly & Blaenau Gwent Citizens Advice<sup>27</sup>**

*Judith is a single parent with a 2 month old son, and three older children that aren't currently living with her. Following the suicide of her partner she had turned to drink and drugs. By her own admission she was unable to face anything and ran up debt. Our caseworker identified that Judith was eligible for a debt relief order (DRO). The DRO was processed and she became debt free. She also received financial capability training throughout which her 14 year old daughter was also eager to participate in. She was also referred for bereavement counselling. Judith is now debt free, with almost £1,800 of rent arrears written off, thus sustaining her tenancy. In addition non-priority debt of more than £2,200 was written off. She was also able to budget better following the financial capability session. As a result she said she felt more optimistic about the future.*

We recognise that the majority of welfare policy is reserved to the UK Government and welcome actions taken by the Welsh Government to date to help mitigate the impact of welfare reform on benefit claimants in Wales, including funding support for frontline advice services and continuation of funding for our Better Advice Better Lives income maximisation programme. **We appreciate the budgetary pressures currently being experienced by both the Welsh Government and local government. By continuing to invest in Citizens Advice services across Wales it shows Welsh Government and local authorities recognise the positive outcomes of these services to people who need support and the value for money they offer.** Impact analysis undertaken by Citizens Advice shows how every £1 invested in our services across England and Wales saves government and public services at least £360 million every year, and at least £2.6 billion to individuals due to income gained through benefits, debts written off and consumer problems resolved<sup>28</sup>. Across the Citizens Advice service in Wales total financial gains during 2014-15 amounted to over £71 million. This included nearly £40 million through benefits/tax credits gains and over £20 million through debts written off.

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<sup>27</sup> Names have been changed to preserve anonymity

<sup>28</sup> 'The value of the Citizens Advice service: our impact in 2014-15', Citizens Advice (July 2015)

### Case Study 3: Powys Citizens Advice<sup>29</sup>

*An elderly couple, Robert and Joy, were persuaded by their neighbour to go to Citizens Advice for a benefit check. The couple were struggling on limited pension income and had had to give up their car as it was too costly to run. Both Robert and Joy were found to be eligible for attendance allowance (AA). Their claims were successful. Robert was awarded low rate AA of £55.10 pw (£2,865.20 per year) and Joy was awarded high rate AA of £82.30 pw (£4,279.60 per year). As they are both entitled to AA this meant they were then eligible for the severe disability addition premium (SDAP). This led to the couple being able to make a claim for Pension Credit (PC), which they were not entitled to before. They are still waiting for a decision on their PC claim but the adviser's calculation shows they are looking to be eligible to £15.92 pw in Guaranteed Pension Credit and also £17.43 pw in Savings Pension Credit.*

*In addition, they have also received full council tax reduction (CTR) through being on AA with the SDAP, resulting in their CTR award increasing from £1.89 pw to £25.43 pw (a gain of £1,224.08 per year).*

We welcome many of the commitments within the Strategy relating to this theme in particular the development of an Advice Services Strategy for Wales (which we understand will be progressed by Welsh Government and the National Advice Network during 2016), and the commitment to only invest in free, quality-assured advice services.

**All debt advice providers should be authorised by the Financial Conduct Authority. It is particularly important that any directory developed as part of the work being taken forward by the National Advice Network (NAN) only includes authorised debt advice providers. Unregulated debt advice has the potential to cause great detriment, particularly to those who are in vulnerable situations and/or those whose financial circumstances are already critical. Therefore ensuring people are directed to regulated, quality-assured advice services is essential to ensure they're receiving the most appropriate support for their needs.**

Citizen Advice Cymru strongly support the development of an Information and Advice Quality Framework for Wales. **We also believe this should be supported by the introduction of a kitemark - similar to the old Community Legal Service Quality Mark - so that the public can easily identify accredited advice providers.**

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<sup>29</sup> Names have been changed for anonymity

We welcome recognition of the importance of multi-agency working, especially the role frontline workers in the health service, local authorities, housing associations and other community based organisations can play in identifying potential need for formal advice amongst their patients, tenants and clients, and to 'signpost' those in need to appropriate, quality assured advice providers.

Local Citizens Advice often find that many people are reluctant to seek formal advice until their situation becomes critical. The challenge of encouraging people to seek help earlier was highlighted in recent research by MAS - only a fifth of respondents who are over-indebted (21%) are already seeking advice. The most common reasons for not doing so were because people felt they could sort out their own debt and money issues, or they didn't feel advice services were appropriate for someone in their financial situation<sup>30</sup>.

**The training of front line staff in key organisations to act as 'problem noticers' is therefore something we strongly support.** Developing appropriate referral mechanisms will be key if an effective signposting service is to be achieved. The proposed Information and Advice Quality Framework for Wales (potentially reinforced with a kitemark system) should help to provide confidence to clients, funders and referral partners in the advice provided by accredited advice agencies.

As referred to earlier with regards to pensions guidance, there are likely to be particular 'trigger points' in people's lives when having access to debt and/or money advice, or support to improve their financial capability, is likely to be particularly beneficial, such as having a baby; starting a new job, redundancy, retirement, or becoming ill/having an accident which means people have to stop work for a period of time. **Building on the commitment to train front line staff in the health sector we would recommend that the Welsh Government explore opportunities for further promoting accredited advice services within Welsh Government employment and apprenticeship programmes.**

We note that not all the commitments under this section specify 'quality-assured' advice services. While we assume this would be the case we believe wherever there is reference to advice services within a commitment it should be stated explicitly that this means 'quality-assured' advice services to avoid any doubt (as per the commitment relating to funding).

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<sup>30</sup> See footnote 16



The Money Made Clear website is currently used as a portal for public information on a number of money-related matters in Wales, including information and access to the Discretionary Assistance Fund. There is a commitment within the Strategy to develop the site. As there are a number of similar online resources available, including both the Citizens Advice and Money Advice Service websites (we recognise that Money Made Clear is the only online portal to DAF), we would recommend that the Welsh Government undertakes regular monitoring of the site, to assess both its usage and impact, to ensure it remains value for money in light of competing resources.

**Q4. Do you agree with our proposals for building financial understanding and capability?**

Yes - also see comments below.

**Comments:**

Financial education is becoming an increasingly substantial part of the work of the Citizens Advice service. Nearly all local Citizens Advice in Wales are delivering financial capability services in their local communities to some degree and financial capability sessions are routinely incorporated into the provision of debt advice. Since April 2011 Citizens Advice Cymru has also held the prime-contract for the delivery of the face-to-face Money Advice Project in Wales, funded by the Money Advice Service.

Recently Citizens Advice has revised and developed a whole suite of financial education resources and toolkits which are now available on our website. The resources cover issues from banking to credit to saving, while the toolkits include specific tools relating to welfare reform and digital money coaching. See link for further information - [www.citizensadvice.org.uk/financialcapabilityresources](http://www.citizensadvice.org.uk/financialcapabilityresources).

The value of improving people's financial capability has been proven during independent evaluations of the initiatives run by local Citizens Advice. Over the last decade evaluations have shown how these programmes have consistently helped to improve people's confidence and skills in money management. A range of wider 'social benefits' were also identified such as lower levels of stress, ability to plan for employment, ability to maintain a tenancy or mortgage, increased confidence as a consumer and the ability to support friends and family. Investing in financial capability programmes also brings real financial returns, not only to individual

households but also to the local economy with the multiplier effect of increased demand for goods and services<sup>31</sup>.

Citizens Advice Cymru strongly support the Welsh Government's vision for everyone in Wales to have the financial capability to manage their money well and make more informed financial decisions. The current economic climate and on-going welfare reforms (particularly the rollout of universal credit) is also exacerbating the need for people to be better informed on money issues.

As stated earlier in our response we believe actions to support and facilitate change in people's financial behaviours are also a critical element of this process. **We therefore welcome Welsh Government's recognition that financial capability underpins all the other themes in the Strategy.**

We agree it is important for actions within the Money Advice Service (MAS) Financial Capability Strategy for Wales to be considered in the delivery of the Revised Financial Inclusion Strategy and look forward to seeing further details on how this will be implemented in the Strategy's Delivery Plan.

We welcome the progress that has been made in recent years in delivering financial education within schools in Wales and strongly support more recent developments to enhance the position of financial education within the new curriculum, both within the National Literacy and Numeracy Framework (LNF) and within particular subject areas including mathematics.

Citizens Advice Cymru believes both strong leadership within schools and providing teachers with appropriate support to develop the necessary skills are critical to the success of further improving the delivery of financial education in schools. It should not be assumed that all teachers are themselves financially capable. New financial products and services also mean financial capability needs are an evolving area where skills and competence levels need to be maintained. **As there are always going to be on-going training needs for people delivering financial education we would welcome further clarity in the Delivery Plan of how the New Deal for the Education Workforce will provide such training and support.**

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<sup>31</sup> 'From small change to lasting change: Financial Skills for Life 2002-2012', Citizens Advice & Prudential (May 2012)

In our response to the Children, Young People and Education Committee's consultation on the proposed Financial Education and Inclusion (Wales) Bill<sup>32</sup> we noted our concern about the current lack of monitoring and evaluation of the provision of financial education in schools in Wales, as well as the lack of understanding of what financial capability interventions work best, particularly in the medium to long-term.

**We therefore believe particular attention should be paid to two of the priority areas identified by MAS, notably the need to increase consistency of financial education in all learning environments in Wales, and also the need to evaluate financial capability interventions to create both a benchmark from which interventions can be compared and to help identify what works well.**

In the interim we welcome the commitment from the Minister for Education and Skills to require Estyn to undertake a review on the quality of provision of financial education in schools from the 2016-17 academic year, to monitor the impact of changes to the curriculum (particularly in mathematics) introduced recently, including those which took effect in September 2015.

Local Citizens Advice are ideally placed to deliver financial capability sessions in schools and, as highlighted within the Strategy, when this work has been undertaken feedback from both pupils and teachers is very positive. Funding for this work however can be sporadic and funder restrictions can also mean that such work may have to be targeted at other groups, for example workless adults or single parents. Levels of engagement will also often depend on capacity within the individual local Citizens Advice.

As a result the number of local Citizens Advice delivering financial capability sessions in schools is far fewer than those working with adults in community settings. Generally much of this work is ad-hoc and responsive to the invitation of schools, although some Citizens Advice do proactively approach schools. **We would welcome the opportunity to expand the work local Citizens Advice do with schools to support the delivery of financial education on the curriculum. Any potential pilots could then be evaluated to help inform what works best. Additional funding would be needed however to enable each individual local office to manage any increase in demand for these services.**

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<sup>32</sup> <http://www.senedd.assembly.wales/documents/s31105/CYPE4-23-14%20-%20Paper%203.pdf>

Citizens Advice Cymru also believe more needs to be done to strengthen the provision of financial education in community settings, particularly for parents (to support the work in schools), and adults who are more likely to face disadvantage. Currently local Citizens Advice run financial capability sessions targeted at a variety of different groups – including those on low incomes; households where no-one has paid work; those who are homeless or vulnerably housed; people with disabilities or long-term health conditions; people with mental health problems; people using domestic abuse support services and migrant workers. As with our work with schools programmes of this nature can however be subject to uncertain funding streams or only target specific groups. **We hope that actions within the Strategy, together with work being taken forward as part of the MAS Financial Capability Strategy for Wales, will help to provide a more co-ordinated, strategic approach to the delivery of financial education across Wales, both within schools and in the community.**

**Financial institutions have been, and continue to be, key funders of many of the financial capability programmes delivered by local Citizens Advice. As referred to in our response to question 2 we believe they do have a key role to play in the provision of funding for such services. We therefore welcome the Welsh Government's commitment within the Strategy to work with private sector organisations to encourage them to sponsor financial education/capability projects in Wales, and would welcome the opportunity to work with the Welsh Government to progress this aim.**

We also welcome recognition within the Strategy of the additional support needs that some children and young people who are in care may require. Research undertaken by Consumer Focus Wales in 2010<sup>33</sup> confirms the importance of providing clear, well-structured financial education to young people living in local authority care long before they make the transition from care to independent living. The research did find evidence of good practice however the findings also showed that in many cases the effectiveness of financial information provision by local authorities appeared limited and inconsistent.

Young people in local authority care are much more likely to live independently at an early age compared to their peers. We believe it is critical that the financial capability needs of these young people are considered throughout their time in care, both as part of the development of their care and support plan and their pathway plan, in preparation for them leaving care. We also believe such needs should be reviewed at regular intervals after the age of 16 (eg ages 18 and 21) to

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<sup>33</sup> 'From care to where? How young people cope financially after care', Consumer Focus Wales (March 2011)

identify any financial difficulties they may be experiencing and to direct them to appropriate support. **In order to improve consistency of provision across Wales we would welcome a specific commitment within the Strategy for the Welsh Government to work with local authorities directly to ensure looked after children and care leavers receive appropriate financial education as part of their care plan. It will also be vital that the tools used are 'quality assured' and that any specific sessions are delivered by appropriate and skilled practitioners to avoid misinformation.**

Citizens Advice Cymru agree that actions to promote digital inclusion and education can support people to become more financially capable. For those in receipt of universal credit the need is even greater as the majority of claimants will be expected to make and manage their claim on-line.

A major study of 'universal credit relevant' clients undertaken by Citizens Advice in 2013<sup>34</sup> found two-thirds of participants (66%) were unable to get online to manage a claim at the initial assessment stage. Following support from their local Citizens Advice over six in ten (62%) had improved their skills and abilities in this area.

Currently the number of clients in Wales seeking help with a universal credit problem remains relatively low (215 clients were helped with 348 universal credit issues between April and September 2015). As rollout continues however, we estimate that around half of everyday Citizens Advice clients will be affected by the move to universal credit (ie. those currently in receipt of an affected benefit). We anticipate that we will be a first port of call for many as they deal with the transition. This demand will have significant implications for our service. The results of the above study show how our advice and support (including budgeting and online support), combined with new tailored services, can help empower the majority of people who need support to become more independent by improving their skills and ability to manage the change. We have therefore been calling on the UK Government to provide additional resources to advice agencies and others to help facilitate this process.

It should also be remembered that the digital solution is not suitable for everyone. Many people who took part in our research into the impact of welfare reform<sup>35</sup> expressed concern about the increased reliance on providing services on-line and feel that some people with particular disabilities or conditions are being unduly penalised as more and more services are delivered via the internet. Further barriers cited included poor broadband connections in rural areas. **It is**

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<sup>34</sup> 'Universal credit managing migration pilot: final results', Citizens Advice (December 2013)

<sup>35</sup> See footnote 25

**vital therefore that, while important, investment to improve digital services/interventions should not be at the expense of providing support via other channels, such as telephone and face-to-face.**

**Q5. We propose a collaborative approach for supporting financial inclusion for everyone in Wales. Do you agree with a collaborative approach? Do you have any additional suggestions for working together to support financial inclusion?**

Citizens Advice Cymru agrees that working collaboratively is essential to tackling financial exclusion in Wales. As mentioned previously the scale of the challenge, particularly in light of the current economic situation and the increasing impact of welfare reform means the need for a multi-agency approach has never been greater. We also believe the Welsh Government is well placed to provide the strategic direction needed to help co-ordinate and facilitate how different agencies in Wales and key UK partners (such as DWP) can work better together.

Advice providers and other third sector organisations have a vital role to play. In addition to helping people with immediate financial or benefit problems, timely, high-quality advice can also help people retain paid employment and keep a roof over their heads. At the same time investing in preventative measures, such as income maximisation, money advice and financial capability-building services, helps people to, amongst other things, boost their income and acquire skills in budgeting and money management, as well as providing wider economic and social benefits.

We are a key service delivery partner for a number of Welsh Government funded projects aimed at reducing poverty and financial exclusion by helping people access the support they need, including Better Advice Better Lives, the Community First Shared Outcomes project (which provides community-based outreach services for particular types of advice including debt, welfare benefits and financial capability provision), as well as a joint initiative with Shelter Cymru to provide specialist debt, benefits and housing advice to help mitigate the impact of welfare reform. **We welcome the Welsh Government's continued recognition of the importance of these services and the positive outcomes they deliver to individuals, families and local communities across Wales.**

As the Well-being of Future Generations (Wales) Act is implemented **it will be essential for Welsh Government and the soon-to-be established Public Services Boards to ensure financial inclusion is recognised as a contributor to**

**well-being when they undertake local assessments and develop their local well-being plans. Such plans should include raising awareness of quality-assured advice services and ensuring effective partnerships are established with accredited advice providers in each local authority area.** This should include having representation from the advice sector on each Public Service Board. Recognising the role advice services play in promoting well-being will also be relevant to any local partnership fora established to take forward the Social Services and Well-being (Wales) Act 2014.

**Q6. Are there any other comments you would like to make on the draft Financial Inclusion Strategy?**

No further comments.

**Q7. Do you wish to comment on or provide evidence for inclusion in the draft Equalities or Welsh Language Impact Assessments?**

Last year Citizens Advice Cymru published the findings of research undertaken with fluent Welsh speakers to examine their experience of using Welsh language services in the private sector<sup>36</sup>. Service providers included banks and building societies. The research shows that 40% of fluent Welsh speakers would prefer to use Welsh when dealing with their bank or building society, yet only 20% are currently always doing so. The reasons why are complex, and include the quality of the services available, their experiences with those services, as well as more subtle behavioural barriers which might stand in their way. The latter can include negative perceptions of Welsh language services, as well as habits and associations they have developed with Welsh.

Nearly two-fifths of the same fluent Welsh speakers (38%) rate the current quality of Welsh language services provided by banks as 'poor' or 'very poor, suggesting that there is a great deal of improvement to be made in the quality of services offered. When we asked people why they did not use or always use Welsh in their dealings with service providers, not having the option or choice to use Welsh was the main spontaneous reason given (representing 31% for banks and building societies).

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<sup>36</sup> 'English by default - understanding the use and non-use of Welsh language services', Citizens Advice Cymru (March 2015)

Citizens Advice Cymru believe that it is confusing and rather baffling that high street banks are not covered by the Welsh Language (Wales) Measure 2011 as currently drafted. This will mean that, unlike telecommunications and energy companies, high street banks will not be expected to comply with the new Welsh language Standards that will be rolled out over the coming months and years by the Welsh Language Commissioner. **We believe strongly that the 2011 Measure should be amended so as to include reference to banks and building societies in Wales.**

In our report, we recommend that service providers make Welsh language services more prominent, so that English is not always the “default” option. If banks were to improve the quality of the Welsh language service they offer, and to advertise these services more prominently, their Welsh speaking customers would be far more likely to use and value those services in the long term.

Comments relating to the Equality Impact Assessment are included within our response to other questions.

For further information regarding this response please contact:

Lindsey Kearton  
Policy Officer  
Citizens Advice Cymru  
Direct line: 03000 231 392

Email: [Lindsey.Kearton@citizensadvice.org.uk](mailto:Lindsey.Kearton@citizensadvice.org.uk)