

## Promoting public understanding of financial services: a strategy for consumer education

Financial Services Consumer Panel response to:  
FSA Consultation Paper 15

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### Introduction

1. This is the response of the Financial Services Consumer Panel to FSA Consultation Paper 15. It supports the response already submitted by our predecessor, the PIA Consumer Panel.
2. We welcome the FSA's activity in this area and endorse the strategic role it will need to play both in leading its own initiatives and co-ordinating the work of its partners to deliver its proposed statutory public awareness objective. We wish to make the following comments on the strategy proposed in the consultation paper.

### The FSA's approach should be empirical and test initiatives on the ground

3. It will be important to test and evaluate initiatives to learn what is successful. In this respect, we welcome the intention to pilot initiatives and

the proposal to develop performance indicators and undertake research. The FSA is a large and centralised organisation and needs to look carefully at dissemination of its work. Although it is extremely important to get financial literacy on the educational agenda at the highest level, and to ensure that good literature is available, this will not make a difference unless the FSA monitors and collects good practice on the ground and develops credibility to disseminate it.

4. A longer-term question to be resolved is whether it is possible to develop a national approach. The review of the content of the National Curriculum provides an opportunity to include financial literacy in other relevant areas of the current curriculum thereby achieving a national impact. But in the adult world a much more diverse method of dissemination may be necessary. The FSA may want to consider making small grants available to bodies on the ground who are engaged in practical programmes, subject to careful observation and evaluation, as a way of developing empirical experience. We were somewhat disappointed to see, in the longer-term developments, only workplace learning and links with NACAB mentioned (valuable though both will be). Workplace learning may only ever reach people in secure employment with major employers, who are arguably already well served. Training programmes under the New Deal, for example, are potentially a way of getting to a much wider audience who is less well served, as are projects involving adult education programmes. This is the sort of small-scale initiative that the FSA should be exploring, not as a long-term strategy in itself, but as a way of developing a long-term strategy that is grounded in practical experience. The FSA will also want to consider how it builds grassroots experience into its decision making.

## **The FSA should be realistic about what is achievable**

5. The FSA and its partners have an important role to play in improving consumer skills so as to be able to cope with an increasingly complex financial world. Nevertheless, consumer education should not be seen as a panacea for the problems consumers face in purchasing financial

products. It must not undermine effective regulation of the sales process or training and competence standards. We doubt that it will be possible to raise the understanding and skills of the general population to a level at which they will fully understand the complex products on offer. To avoid this danger, the FSA's consumer education strategy should be underpinned by an analysis of:

- what it is possible to achieve;
- what outcomes are expected as a result of the FSA's activity:
  - what consumers will be able to do;
  - the actual impact of the FSA's activities.

## Establishing priorities

6. It is important to plan the elements of initial education so as to lay the foundations on which consumers can build a more focussed understanding when they need it in later years. We see the value of integrating financial literacy in the National Curriculum in the longer-term and acknowledge the initiative taken by the FSA in making a submission to the QCA on the review of the National Curriculum. It is also important that there is a strategy for life-long learning since initial school education is not a positive experience for all. We believe that the FSA should examine and evaluate the possibility of working with adult education providers, the national training organisations, the lead bodies involved in standard setting, and community organisations, in developing a strategy for life long learning. We appreciate that the FSA consumer education programme has to take forward simultaneously the long term issues involved in preparing the young for later life, in helping adults who may not have a background in numeracy and analytical skills we hope future generations will acquire, and in providing guidance for people at different stages of life who have differing needs. There is a real difficulty inherent in this for the FSA in determining priorities. We acknowledge that the consultation paper is of

necessity light on these issues at this stage. The Panel would like to be kept in touch with the FSA's work in establishing priorities.

## **Feedback to the industry and the rest of the FSA**

7. New initiatives being undertaken by the FSA, such as town meetings and the development of the FSA Public Enquiries Service, will provide valuable information on consumer needs and concerns. We would like to see this experience shared by, for example, involvement of company executives in town meetings, links with training and competence requirements and feedback throughout the FSA. This will help inform the policy and practices of the FSA executive and the industry. The Panel would like to be kept informed of the plans for disseminating this information and also to receive regular feedback itself on consumers' needs and concerns raised at town meetings and via the FSA Public Enquiries Service.

## **The FSA should take into account differences in Scotland, Wales and Northern Ireland**

8. In particular, the different agencies involved in the school curriculum. We note, for example, that Scotland, Wales and Northern Ireland are only mentioned briefly in your submission to the QCA. Although the Curriculum for Scotland already contains more finance teaching than in England and Wales we would like to be assured that it does not get neglected in the FSA's work.

## **Town meetings**

9. We were pleased to learn of the positive feedback from the Bristol Town Meeting. We look forward to hearing feedback from the next two pilots, and details of the FSA's future plans.

## Education Forum

10. We welcome the proposed Education Forum as a valuable initiative and would hope to establish an effective working relationship between the Panel and Forum to prevent duplication. As mentioned above, the Consumer Education Department/Education Forum will wish to consider how it builds into its decision-making the experience of those with practical grassroots experience – for example, if appropriate, through the establishment of specialist groups which report back to the Forum.
11. Finally, we recognise that this is an enormous area of work and would caution against the FSA spreading itself too thinly. It is important that the FSA carefully evaluates initiatives based on empirical experience, identifies the gains it can make and establishes priorities. We look forward to discussing the outcome of the consultation and feedback from the town meetings with the FSA in the future.