

Irish Banking Culture Board Submission on the Solas Adult Literacy, Numeracy and Digital Literacy Strategy

Overview

The Irish Banking Culture Board (“IBCB”) was established in April 2019, and is an independent industry initiative, fully funded by the five retail banks operating in Ireland (Allied Irish Banks, Bank of Ireland, KBC Bank Ireland, Permanent TSB & Ulster Bank) with the aim of rebuilding trust in the sector through demonstrating a change in behaviour and overall culture. The Board is independent with a non-banking majority, whose members are drawn from across Irish society. The IBCB’s goal is to act as an independent, transformative influence on culture within the banking sector. Rooted in the knowledge that a changed culture will change outcomes, the IBCB promotes ethical behaviour and advocates for humanity, decency, and respect in the banking sector. Our strategic plan has recently been approved for the next two years and focuses on three pillars which we believe will rebuild the trust and reputation of our member banks: Customers, Staff, and Citizenship and Society. Within our Customer pillar, Financial Awareness is one of our key activities. We are working, with our member banks, on a range of activities with the aim of improving financial awareness.

The IBCB welcomes the opportunity to respond to the [Solas ALND Literacy Strategy](#). Our research has highlighted financial literacy as a key priority for many stakeholders, with significant numbers of people having little financial resilience. Promoting financial literacy as early as possible is a key enabler in preventing knowledge gaps at future stages when key financial decisions are being made. There is a perception that technology changes, complexity of modern financial processes, and a lack of access to financial advice can adversely impact customers financial decisions and financial outcomes. Consequently, we believe that the inclusion of a financial literacy strategy within the overall adult literacy and numeracy strategy is crucially important.

The need for improved financial literacy

In our initial consultation, consumer protection and empowerment were highlighted as an important requirement.¹ Members of the public and key stakeholders, including consumer advocates, MABS and the Society of St Vincent De Paul have noted the need to close the knowledge gap in financial education. Consumer advocates report that students leave college with degrees but have little or no awareness of what do to with future earnings. Banking services have changed significantly with increasing use of digital or automated services and reduced branch footprints, which leaves customers with a gap in understanding how best to manage their money and get the most from their bank.

Financial literacy has also been raised as an issue by SME and Farming stakeholders. A Small Firms Association (SFA) survey notes that for SMEs, 81% of respondents believe that financial literacy is important, but only 46% had good or expert knowledge.² Financial literacy increases with the size of the business but given that 98% of private enterprises in Ireland are small and micro businesses, the low level of financial knowledge poses a problem for business owners.

¹ IBCB Public and Stakeholder Consultation Report 2019

<https://www.irishbankingcultureboard.ie/publications/ibcb-public-and-stakeholder-consultation-report-2019/>

² [https://www.sfa.ie/Sectors/SFA/SFA.nsf/vPages/News~Press_Releases - Archive~sfa-survey-reveals-less-than-half-of-irelands-small-business-owners-believe-they-have-good-or-expert-knowledge-of-financial-literacy-26-09-2019/\\$file/SFA+Financial+Literacy+Amongst+Irish+SME+Report+26092019.pdf](https://www.sfa.ie/Sectors/SFA/SFA.nsf/vPages/News~Press_Releases - Archive~sfa-survey-reveals-less-than-half-of-irelands-small-business-owners-believe-they-have-good-or-expert-knowledge-of-financial-literacy-26-09-2019/$file/SFA+Financial+Literacy+Amongst+Irish+SME+Report+26092019.pdf)

The OECD states that ‘financial education, financial consumer protection and financial inclusion are recognised at the highest policy level as three essential ingredients for the financial empowerment of individuals and the overall stability of the financial system’.³

Many consumers have limited financial resilience. The Competition and Consumer Protection Commission published a financial capability study in 2018, in which it noted that 7% of respondents were struggling financially and had no reserves, 16% were just about coping, but were in danger of slipping into financial difficulty and 52% were doing well but had little put by for future financial needs. Only 25% were deemed to be financially secure.⁴ For people in financial difficulty, this has a further negative impact on wellbeing and mental health, with a UK survey outlining that roughly ½ of people in financial difficulty also experience mental health problems.⁵

As part of our work on bereavement supports from banks, the IBCB has become aware of a wider societal issue regarding low levels of proactive planning to ensuring financial affairs are in order. If adequate financial planning measures are not in place, it can lead to additional difficulties and stress in the event of the death of a loved one, a life-changing event or diminished capacity to make financial decisions. This can include such steps as making a will and putting in place arrangements to give next-of-kin the ability to manage financial affairs in the event of diminished capacity or serious illness. Furthermore, with demographic increases in aging in Ireland, planning your pension is important, but many workers do not have a private pension arrangement in place.

An additional challenge identified in IBCB research suggests that English-language skills may pose additional difficulties for some citizens in making material financial decisions. Financial institutions endeavour to ensure that customers have the right information and can understand material financial decisions, such as taking out a mortgage, but this can be made more difficult for citizens for whom English is not their first language.

Whilst the Covid-19 crisis has not impacted all citizens financially, and indeed has led to increased savings for some, the crisis has led to financial difficulties for many. Many personal and SME customers are struggling financially and availing of payment deferral or other support options. Financial abuse and fraud have also increased during the crisis, with particular risks for those who may be less digitally aware/ more vulnerable. Online banking and use of technology (e.g., contactless payments) have become more prevalent, impacting vulnerable groups who may be more dependent on face-to-face services.

Given the range of issues listed above, the need to improve financial literacy is vitally important, particularly given the potential negative impacts of poor financial awareness and financial exclusion.

³ OECD/INFE 2020 International Survey of Adult Financial Literacy, OECD (2020)

www.oecd.org/financial/education/launchoftheoecdinfeglobalfinancialliteracysurveyreport.htm

⁴ <https://www.ccpc.ie/business/wp-content/uploads/sites/3/2018/12/Financial-capability-2018.pdf>

⁵ <https://www.moneyandmentalhealth.org/wp-content/uploads/2019/03/debt-mental-health-facts-2019.pdf>

Theme 1 Different meanings of literacy, numeracy and digital literacy for adults.

How should the strategy reflect these meanings?

The IBCB will address financial literacy only. The OECD/ INFE defines financial literacy as ‘a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing.’⁶ In the opinion of the IBCB, it would be helpful to focus on the actions needed to meet the aims of sound financial decisions and wellbeing.

Theme 2 Improving awareness of and access to literacy, numeracy and digital literacy support for adults.

How can it be made easier for adults to take that first step to seek information and assistance?

The IBCB programme of work on Financial Awareness focusses on key activities:

- Promoting awareness of pertinent topics and signposting information. This also includes financial awareness programmes delivered by member banks;
- Partnering with organisations such as Safeguarding Ireland, BPII, CCPC, member banks to collaborate on relevant topics;
- Targeting specific cohorts who will benefit from improved financial awareness
 - Youth Customers
 - Customers in a financially vulnerable position
 - Customers in other vulnerable positions, in particular older customers
 - SMEs and Farmers.

In light of the Covid-19 crisis, the IBCB is focussed on assisting consumers to be more financially aware, particularly as it relates to their levels of indebtedness. It is further focused on providing initiatives to assist SMEs with improved financial awareness to ensure they can avail of the best possible solution for their business, from a broad range of available products. The IBCB supports initiatives of member banks and other parties (such as Safeguarding Ireland, Fraud Smart) in relation to protection of more Customers in a Vulnerable Position by improving their awareness of fraud or financial abuse risks. Finally, the IBCB continues its focus on the role banks can play in supporting customers with planning their financial affairs.

There is a range of material available from different sources, some examples provided below:

- Information and tools from our member banks, supported by financial awareness programmes and staff support for customers in face to face, video, telephone interactions, fraud awareness programmes;
- Member banks have launched dedicated bereavement service lines and a Common Commitment of Care, to support customers in dealing with financial affairs as a result of the loss of a loved one;
- CCPC (Money Skills for Life, Money Tools);
- BPII (Fraudsmart, “Safeguard your Money”, Explainer Guides);
- Safeguarding Ireland research and campaigns (“Safeguard your Money”, Financial Planning, Financial Abuse);

⁶ <http://www.oecd.org/financial/education/2018-INFE-FinLit-Measurement-Toolkit.pdf>

- Irish Hospice Foundation “Think Ahead”;
- MABS (Information leaflets, detailed information and support for those in mortgage arrears);
- Central Bank (Consumer Hub, Explainer Series).

Whilst there is a broad range of material and support tools available to users, it appears to be difficult to find single information sources and users find it difficult to understand. The information sources may not necessarily encompass vulnerable or marginalised groups, who have a greater need for this information. This issue is exacerbated by the nature of some financial transactions, such as taking out a mortgage, establishing a pension plan – these are infrequent events, which can mean that consumers have limited awareness or understanding of the financial products. Promoting financial literacy reduces the risk of poor financial decisions, financial exclusion, and lack of preparedness of financial affairs.

Theme 3 Bridging the digital divide

With nearly half of the Irish population scoring at or below the most basic level of Digital Literacy, (PIAAC, 2012) what steps do you think should be taken to promote digital inclusion and help bridge the digital divide?

Our remit is financial awareness for consumers and SMEs, with our area of expertise being financial services. We will therefore not comment on how the digital divide can be bridged. However, given the increasing digitization of financial services, it is our view that digital literacy is a key enabler to financial literacy and further widening of the gap in digital literacy could exacerbate financial exclusion for some. A recent Accenture report highlighted that 42% of the Irish population rated themselves as average or below in their level of digital skills.⁷ The report cites that 1 in 5 people do not feel comfortable conducting financial transactions online. Connectivity, age and social class create a further gap in accessing digital services. Given the reliance on digital technologies in a range of sectors and in this case in accessing financial services and banking services, it is critically important that Irish citizens have equal opportunities, support and access to develop their digital skills and to reduce the risk of further marginalisation, in particular financial marginalisation.

Theme 4 Priorities and actions.

- *What solutions would you suggest?*
- *What are the priorities that you think the new ALND Strategy should focus on?*
- *What actions do you think should be taken during the lifetime of the strategy?*

The ‘Recommendation on Financial Literacy’ adopted by the OECD Ministerial Council in October 2020 may support this action. It is supported by the CCPC and provides a holistic approach to financial education and literacy and the benefits for financial resilience and well-being.

The IBCB and each of our member banks are focussed on this topic and would be happy to participate in any consultation to build on existing tools and solutions in financial literacy and awareness.

⁷ https://www.accenture.com/_acnmedia/PDF-128/Accenture-RO-Bridging-The-Gap.pdf#zoom=40

Theme 5 Measuring success.

In what ways do you think we should measure and track our progress towards the aims of the Adult Literacy, Numeracy and Digital Literacy Strategy?

In the area of Financial Literacy, there are existing methodologies for measuring literacy (as outlined by the OECD and evident in the CCPC 2018 survey). A periodic update to the CCPC Financial Capability Study would be helpful in this regard.