The London
**Foundation** for
Banking & Finance

Charity number: 297107
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A charity incorporated by Royal Charter

# Accelerating Progress

## Financial Capability in the UK

Research Report 2025

## About The London Foundation for Banking & Finance (LFBF)

We are **The London Foundation for Banking & Finance** (LFBF), a registered charity incorporated by Royal Charter. Our charitable purpose is the advancement of knowledge of and awareness in, financial services and to carry out research for the benefit of the public.

We also recognise the highest level of professional competence by awarding chartered status to individuals to recognise their commitment to continued education and professional excellence in financial services.

### Our heritage

The London Foundation for Banking & Finance started life back in March 1879, when a group of bank workers came together to establish leadership and professional practice principles for the industry. They created the first Institute of Bankers in England and Wales to offer educational resources to anyone working in the sector.

Over the years, the organisation developed its own industry-leading qualifications to create a gold standard of banking and financial education. It also established itself as a leading voice in the banking world, providing invaluable insights into all areas of the industry and promoting the highest standards of professional competency. Today, LFBF exists to support the advancement of knowledge and education in financial services.

Previously The London Institute of Banking and Finance (LIBF), the charity was renamed 'The London Foundation for Banking & Finance (LFBF)' following the acquisition of LIBF's education and training activities in March 2023 by IU Group. LIBF's education and training activities now continue under a new wholly owned UK subsidiary of IU Group – LIBF Limited – trading as LIBF.

# About the research team

We are delighted to have delivered this research in partnership with Bayes Business School and their Centre for Charity Effectiveness.

**Research Team**

**Sarah Dryden** is LFBF's Director of Research. Sarah is an expert in financial services, having spent nearly a decade working across the industry. She is an alumnus of Bayes Business School's Centre for Charity Effectiveness (CCE) and delivered this research as part of the programme. Alongside her time at Bayes Business School, Sarah has extensive experience advising asset and wealth managers on their ESG approaches, as well as wider strategic agendas. If you would like to find out more about the research, please get in touch with Sarah at **sdryden@lfbf.org.uk**.

**Professor Paul Palmer** is Professor of Voluntary Sector Management at Bayes Business School. He is a management educationalist with extensive knowledge and experience in charity, philanthropy and financial planning.

Over the last thirty years he has advised and served on committees of the following professional institutes – CISI, ICAEW, ICSA IIA.UK and in the charity sector CFG, IOF, NCVO and the Charity Commission – and acted as an independent consultant on Charities and Philanthropy to UBS Wealth Management.

**Centre for Charity Effectiveness**

BAYES BUSINESS SCHOOL
CITY ST GEORGE'S
UNIVERSITY OF LONDON

**The Centre for Charity Effectiveness** (CCE) at Bayes Business School is a leading nonprofit and philanthropy centre in the UK. Since 2004, the centre has been committed to empowering and supporting charitable organisations and their current and future leaders.

The school shares its sector expertise through innovative research and thought leadership, bespoke consultancy services and coaching, and open access tools and resources for nonprofits.

## About the research

The London Foundation for Banking & Finance commissioned this review of financial literacy to better understand:

- the UK landscape for levels of personal financial literacy, and
- the activities and initiatives that exist to help to improve levels of education and support.

By publishing the key results, we hope this research will provide practical insights for other organisations working to improve financial literacy and help provoke meaningful action for potential ways forward.

# Foreword from Shelley Doorey-Williams

As others working in this space are no doubt well aware, a great deal of research has been done on levels of financial literacy in the UK. So why did we decide to produce another research report?

Much of the existing research has focused on the problem – the lack of financial literacy in the UK, particularly among vulnerable groups, and financial exclusion. What distinguishes this research is that not only have we consolidated and analysed the existing research on levels of financial literacy in the UK, and the groups most likely to be affected, but we've also looked at what solutions are available, to create the beginnings of a 'map' of the sector and make recommendations on potential ways forward.

What we've found is there is a huge number of well-meaning organisations trying to help tackle the issue of financial illiteracy. And that is to be applauded. However, due to the wide range of solutions on offer, some of which are quite similar, it is difficult for people to navigate and hence the support is not always reaching the groups who most need it.

What is also clear from the research, is that all this effort – some of which has been in place for more than a decade – is not moving the dial significantly. The UK is still a poor performer in terms of financial literacy and vulnerable groups are still excluded – not only from financial education and support, but also from access to appropriate products that could help to significantly improve their life chances and outcomes.

A lack of financial literacy and inclusion has a real cost – to society, communities and the economy. Not only financial, in terms of lost opportunities and poorer life outcomes, but also personally in terms of mental health and happiness. Investing in financial capability is essential to prevent both individual suffering and broader economic crises.

Our research has found that to achieve impact at scale, delivering education to large cohorts such as children and young people, or women, is critical, with benefits holding promise for wider communities well beyond the initial interventions. But this, and any other education, must be tailored to the needs of different groups to really make a difference for the long term. The use of technology, and experiential learning, has huge potential – with the caveat that the associated risks need to be carefully managed – but access to suitable products remains a significant challenge. A key finding of this research is that the ability to act (education) needs to align with the opportunity to act (inclusion), to achieve a truly financially capable population.

We believe there is a role that we, and others, can play in bringing organisations together to focus on how, by working shoulder to shoulder, we can achieve real change.

We hope you find this report insightful. We'd be delighted to hear your thoughts and ideas and would welcome further input on how progress can be made.

*Shelley Doorey-Williams*

**Shelley Doorey-Williams**
Chief Executive Officer
The London Foundation for Banking & Finance

# Executive summary

This research was designed to better understand the UK landscape for levels of personal financial literacy, and the activities and initiatives that exist to help to improve levels of education and support.

It has the following aims:

- Evaluate how strong or weak financial literacy is across the UK population.
- Assess why there might be weak levels of financial literacy.
- Understand which groups or demographics of people might have lower levels of financial literacy than others.
- Map the existing landscape of support being provided.
- Explore the most effective ways to deliver financial education.

## Approach

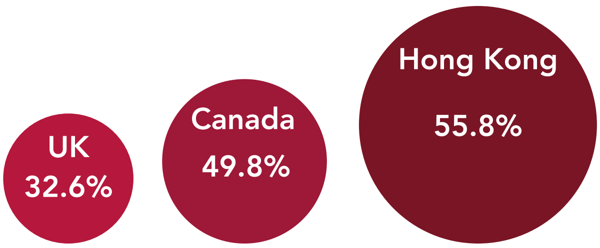
To ensure a robust and thorough approach, a narrative literature review was undertaken to consolidate and synthesise existing knowledge from the UK and the US. We believe that taking this international approach is a real strength of the research – enabling us to learn from some of the most advanced research and practice globally.

This was combined with content analysis to map existing financial literacy support, in what we believe has been a uniquely intensive process, and interviews with some of the most predominant global experts to gather further insights on financial literacy and related themes.

# Key findings

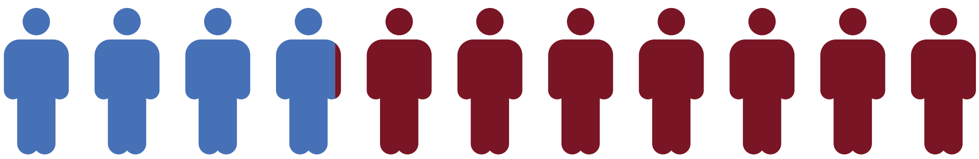
## Financial literacy in the UK

- Financial literacy in the UK is very low compared to other countries and benchmarks.




Respondents scoring in the top cluster in a study of OECD/INFE data

- 20.3 million adults (39%) in the UK don't feel confident managing their money (Financial Capability Strategy for the UK).



- In a range of surveys in the UK testing financial literacy:

**73%** fall below a "good pass rate" in a recent Wealthify test.

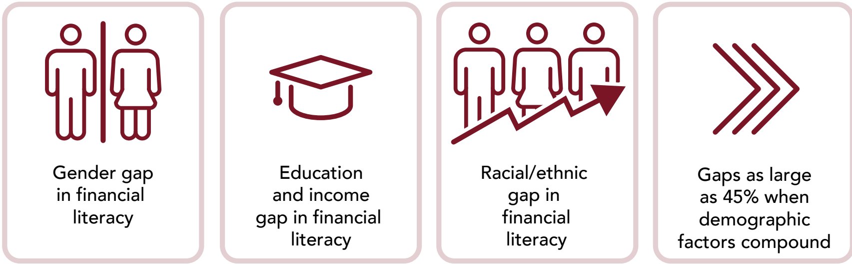
**71%** surveyed by Pay UK did not understand how a savings account works.

Only **49%** passed a recent Money Literacy Test (Shepherds Friendly).

**46%** of those suffering from financial problems say that money management played a part (The Centre for Social Justice).

- Financial literacy is even lower among certain groups, including women, those with low incomes or educational attainment, ethnic minorities, young people and older people.

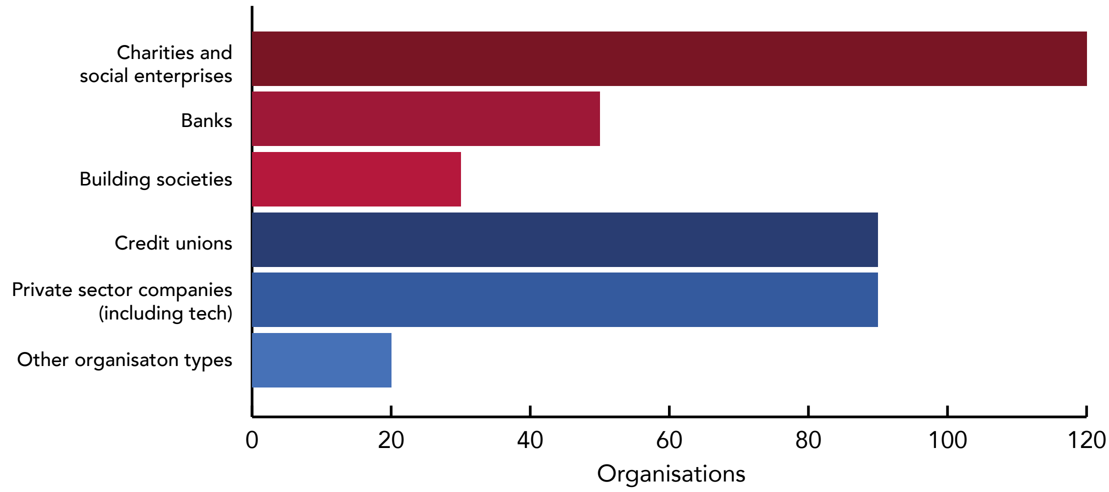
- Disadvantages overlap, with gaps in financial literacy as large as 45% when demographic factors compound.




## Existing support

- Hundreds of organisations across the UK are involved in financial literacy projects. Our research focused on the following main sectors, identifying 400+ in these sectors alone.

**400+ organisations identified across the UK with involvement in financial literacy**




- Despite these efforts, some of which began two decades ago[1], very low levels of financial literacy persist in the UK.

## Current programmes

**50%** of programmes include services specifically designed for children and young people.

Only **4%** are tailored to the needs of women.

Only **2%** are tailored to the needs of those from ethnic minority backgrounds.

There is limited collaboration, with many organisations offering similar services.

### Accessing services

- There is no central source or resource to find or access services.
- Some services are not bona fide.
- Regulation and quality control is a challenge.

### Collaboration challenges

- Large volume of organisations involved.
- There is no easily accessible database on offer.

1 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 83.

## Conclusions

This research has highlighted the need for a comprehensive approach to addressing financial illiteracy across the UK. The evidence points to the need for a collaborative and holistic strategy, focused on financial capability, which would combine financial education with access to financial services to ensure that learning can translate into practice and meet the needs of vulnerable groups.

### We've identified five key areas for future focus.

**1**

**Impact requires scale, but tailoring programmes for different groups is equally critical.**

It is clear there are large differences in financial knowledge across different groups, but to be effective in making change scale is important. Programmes for children and young people, and women, can reach large cohorts in need, as well as others across the community. However, programmes need to be designed and monitored to ensure disadvantaged groups within wider cohorts are being reached and that programmes are sensitive to needs.

**2**

**Interventions need to be early, but also relevant to individuals' circumstances and life stages.**

The timing of interventions is also critical, with early childhood providing a key opportunity to establish financial wellbeing foundations and long lasting behavioural change. "Just-in-time" education for young adults, especially before key decisions like further education or entering the workforce, is also critical. But it's not just young people who need support. There are significant numbers of people entering old age with little or no retirement planning, for example.

**3**

**Making better use of technology and innovative learning practices, such as experiential learning and gamification, could have a very positive impact.**

Technology has significant potential as a cost-effective enabler for scalable solutions, however considerations of the risks associated with fintech, and issues of access, would need to be carefully managed.

There is also a wealth of evidence to support experiential learning, but it is ideally delivered with access to real financial services and products.

**4**

**People need the ability to act (education) but also the opportunity to act (inclusion)**

Financial capability approaches offer the most promising avenues for experiential learning, and can mitigate against the significant downsides of delivering financial education without access to financial services. However, many groups currently don't have access to financial products that meet their needs.

**5**

**There is significant potential for better partnership and consolidation across existing services**

There are a wealth of organisations providing support in this space, but mostly operating independently of each other. Collaboration across sectors is needed for true financial capability to be possible and to build on good practice.

We must respond to “what lack of knowledge is in the life of people in terms of wellbeing, in terms of anxiety, in terms of missing opportunities… the staggering cost that it has for individuals and for society”

*11 June 2024 interview with Professor Annamaria Lusardi for this project.*

# Contents – main report

# Chapter 1 – Introduction

## 1.1 Why this research?

Numerous studies have looked at the importance of financial literacy – the ability to understand and make informed decisions about personal finances. It is becoming a central issue for many societies, not only because of its direct impact on individual financial outcomes but also because it holds broader social and economic significance. There is wide recognition that 'everyday life requires highly developed financial skills and knowledge'[2] and, as a result, 'financial literacy has significant predictive power for future financial outcomes'[3].

In addition, financial decisions have 'become dramatically more perilous' in society today[4], with 'the advent of new financial products (which, with the help of technology, one can access with a click), novel ways to make payments ("buy now, pay later"), risky instruments such as crypto assets, and more recently the rise of inflation'[5]. Alongside this, 'throughout their lifetime, individuals today are more responsible for their finances than ever before'[6].

In the short term, financial literacy plays a crucial role in helping individuals navigate unexpected financial challenges, such as emergency expenses or income shocks. It impacts the cost of borrowing and decreases the likelihood of debt burdens[7] [8]. In the long term, it is equally critical for successful retirement planning, as a lack of financial knowledge is strongly linked to retirement wealth inequality[9].

Despite the clear importance of financial literacy, global research highlights alarmingly low levels of financial literacy across populations. Across the literature, studies emphasise 'the continuously low levels of financial literacy across the world'[10], with a common theme being that 'income levels or ubiquity of financial products do not themselves equate to a more financially literate population'[11]. Even in high-income countries like the UK and the US, a significant portion of the population remains poorly equipped to manage their finances effectively. Vulnerable groups, including women, low-income individuals, and those with limited educational attainment, are particularly at risk[12].

The consequences of financial illiteracy extend beyond personal financial outcomes. Studies have shown that individuals with low financial knowledge experience greater stress and dissatisfaction with their financial situations, and may even be at risk of mental health issues, including depression[13]. The ability to manage one's finances effectively is vital not only for meeting basic needs but also for achieving financial security and unlocking one's full potential[14]. This also raises questions about financial inclusion – what access do different groups have to products that meet their needs?

Financial illiteracy and exclusion have societal implications, influencing productivity levels, work performance, and even the functioning of democracies, as individuals' financial knowledge shape public opinion and voting behaviour[15].

So while evidence of the need for support to improve levels of financial literacy is extensive, a clear picture of what support is available, the organisations involved in delivering support and education, how that support is delivered, and the impact of their interventions is much harder to identify.

This research aims to address this critical gap by exploring the current state of financial literacy and support available to individuals, while also considering how to accelerate the progress of interventions for those who are most vulnerable. There is a holistic assessment of the groups which may be under-served, including a particular reference to young people.

2 Sherraden et al, *Financial Capability and Asset Building For All*, 3.

3 Angrisani et al, *The Evolution of Financial Literacy Over Time and its Predictive Power for Financial Outcomes*, 640.

4 Fernandes et al, *Financial Literacy, Financial Education, and Downstream Financial Behaviours*, 1861.

5 Lusardi and Mitchell, *The Importance of Financial Literacy: Opening a New Field*, 137.

6 Lusardi, *Financial Literacy and the Need For Financial Education: Evidence and Implications*, 1.

7 Disney and Gathergood, *Financial Literacy and Consumer Credit Portfolios*, 2254.

8 Gathergood, *Self-Control, Financial Literacy and Consumer Over-Indebtedness*, 590.

9 Lusardi and Mitchell, *How Ordinary Consumers Make Complex Economic Decisions*, 26.

10 Vadari and Malladi, *Generative Knowledge Management for Financial Inclusion Through Financial Literacy: A Systematic Review*, 43.

11 Lusardi, *Financial Literacy and the Need For Financial Education: Evidence and Implications*, 2.

12 Lusardi and Messy, *The Importance of Financial Literacy and its Impact on Financial Wellbeing.*

13 Vittengl, *Low Household Income, Financial Literacy, or Financial Health.*

14 Sherraden et al, *Building Financial Capability and Assets in America's Families.*

15 Fornero and Lo Prete, *Financial Education: From Better Personal Finance to Improved Citizenship*, 12.

This project aims to have practical, 'real-world' impact, providing insights with clear, tangible actions that we have considered as part of our future strategy and direction. This project also hopes to provide insights to policymakers and other practitioners related to best practice approaches. This is in line with LFBF's focus on financial capability (see definitions in 1.2) and our desire to encourage sectors to join forces for maximum impact.

## 1.2 Key concepts and definitions

Several key concepts will be referenced throughout this report. Defining terms is particularly important, as throughout existing literature language is often used interchangeably – for example 'financial literacy, financial knowledge and financial education', as well as 'financial capability' being conflated with 'financial literacy'[16]. Whilst all these terms are of relevance to the research questions, it is important to capture the nuances of each key term in the definitions we are adopting, and the specific goals they are associated with.

**Financial knowledge** is best defined as a 'component' of financial literacy, captured via understanding a person's 'knowledge of financial concepts such as compound interest rates'[17].

**Financial literacy** is defined by the OECD Programme for International Student Assessment (PISA), which 'measures 15-year-olds' ability to use their reading, mathematics and science knowledge and skills to meet real-life challenges'[18], as the 'knowledge and understanding of financial concepts and risks, as well as the skills and attitudes to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial wellbeing of individuals and society, and to enable participation in economic life'[19].

**Financial inclusion** is defined as 'access to and use of financial services'[20]. Financial inclusion 'at a minimum… means having access to safe ways to make and receive payments, store emergency savings, generate savings, borrow small amounts of money, and buy simple insurance products'[21].

**Financial capability** brings the concepts of financial knowledge, literacy, and inclusion together, resulting 'when individuals develop financial knowledge and skills, but also gain access to financial policies, instruments, and services'[22]. Rooted in the belief that 'having financial knowledge and being able to apply financial knowledge are not the same for each individual'[23], financial capability stresses that 'financial education sans opportunities for hands-on experience and knowledge operationalisation may be insufficient for promoting healthy financial behaviours'[24].

16 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 83.

17 Leone and Thompson, *Financial Literacy and Advice Perceptions Among UK Higher Education Students: An Ethnicity Tale?*, 4.

18 OECD, What is PISA?

19 OECD, PISA 2018 Financial Literacy Framework.

20 Grohmann et al, *Does Financial Literacy Improve Financial Inclusion? Cross-Country Evidence*, 84.

21 Sherraden et al, Financial Capability and Asset Building for All, 8.

22 Johnson and Sherraden, *From Financial Literacy to Financial Capability Among Youth*, 119.

23 Blue and Grootenboer, *A Praxis Approach to Financial Literacy Education*, 755.

24 Friedline and West, *Financial Education is Not Enough*, 649.

## 1.3 Research questions

To frame this project, the following research questions were developed.

1. What are the levels of financial literacy in the UK?
2. If financial literacy levels are weak, which groups or demographics of people have lower levels of financial literacy than others, and why is this?
3. How is financial education delivered most effectively?
   a. What approaches are working well, and what approaches are not?
   b. What roles could technology and collaborative partnerships/ arrangements play in the delivery of financial education?

## 1.4 Research design and approach

To ensure a robust and thorough approach, a narrative literature review was undertaken to consolidate and synthesise existing knowledge, alongside content analysis to map existing financial literacy support, and interviews with relevant leading global experts to gather insights on financial literacy and related themes. The approach for each phase of the project is detailed below.

### 1.4.1 Literature review

This project employed a narrative literature review approach, to 'detect themes', 'map fields of research'[25] and produce a 'meaningful synthesis'[26] of the vast base of research that exists across topics related to financial literacy.

The literature review encompassed both UK and US-focused studies, where research is most advanced and often applicable to UK dynamics[27]. We believe that much can be learnt from taking this international view, and that expanding the scope in this way has deepened the project's insights.

To ensure rigour, care was taken throughout the process of:

- defining inclusion criteria for papers
- developing search terms, and
- continuing the review until sources no longer provided significant new insights, similar to saturation in primary qualitative research[28].

While the narrative review method is sometimes criticised versus systematic literature reviews for potentially leading to biased findings[29], the project acknowledges this limitation, but we have mitigated this risk given the volume of literature reviewed for this project. The review aims to provide a meaningful and rich summary of the literature, rather than exhaustive coverage[30].

### 1.4.2 Content analysis

In identifying existing services for financial literacy, we have taken what we believe is a distinct approach. Content analysis is a flexible research method, particularly useful for studying the amount and nature of coverage on a given topic, using text or documents – in this case websites and online databases[31].

25 Snyder, *Literature Review as a Research Methodology: An Overview and Guidelines*, 335.

26 Sukhera, *Narrative Reviews: Flexible, Rigorous, and Practical*, 414.

27 Leone and Thompson, *Financial Literacy and Advice Perceptions Among UK Higher Education Students: An Ethnicity Tale?*, 8.

28 Sukhera, *Narrative Reviews: Flexible, Rigorous, and Practical*, 415.

29 Baumeister and Leary, *Writing Narrative Literature Reviews*, 313.

30 Sukhera, *Narrative Reviews: Flexible, Rigorous, and Practical*, 416.

31 Bell et al, *Business Research Methods*, 278.


Key aspects of the content analysis approach included:

1. Data sourcing:
   - A number of key UK databases were used to identify organisations for assessment:
     - i The Charity Commission's charity register
     - ii The Prudential Regulation Authority's lists of banks, building societies and credit unions
     - iii The Social Enterprise UK directory
     - iv LinkedIn
   - To ensure as many relevant organisations were identified as possible, organisations were added to the sample as and when they were identified via organisations' websites and materials already under assessment.
2. Data coding:
   - Once the sample was identified, the data was coded to facilitate interpretation and allow for easy retrieval by categories relevant to the research[32].
3. Data analysis:
   - The data was analysed to present both numerical summaries (such as percentages or counts) and thematically, to capture a detailed, conceptual understanding of the sector.

In taking this approach, we assessed over 2,000 organisations to understand if they were operating in the space of financial literacy and, if so, the nature of the services they were offering.

### 1.4.3 Expert interviews

During the course of this research project, we were delighted to speak with some of the most influential experts globally to deepen our insights, and to validate or to challenge our findings. We conducted interviews using a semi-structured approach, enabling flexibility and in-depth exploration of topics relevant to our research questions.

32 Forman and Damschroder, *Qualitative Content Analysis*, 48.

# Chapter 2 – Understanding need in the UK

The evidence across the literature suggests that the UK has generally low levels of financial literacy, especially certain demographics and vulnerable groups, despite institutional and other efforts.

## 2.1 Global comparators

Global surveys examining financial literacy reveal a mixed picture for the UK, with generally low levels of financial knowledge across the population, despite some studies where the UK compares well to other countries. For example:

**1. OECD/INFE pilot study (2012)**

The UK performed above the global average in a study focusing on variations in financial knowledge, behaviour and attitude across countries. However, the study emphasised that every country, including the UK, had significant room for improvement in financial literacy[33].

**2. OECD/INFE study (2019)**

A study using the 2015 OECD/INFE financial literacy questionnaire (with 24,509 adults globally) placed the UK as a poor performer in financial literacy. Just 32.6% of UK respondents were classified as "most financially capable" (Cluster 1), a much lower percentage compared to other countries like Hong Kong (55.76%), Canada (49.76%), and Belgium (44.38%)[34].

**3. S&P Global FinLit survey (2019)**

In this large-scale survey of 150,000 adults in over 140 countries, 67% of UK participants answered at least three out of five questions correctly. While this placed the UK relatively well among other nations, it still pointed to gaps in financial knowledge within the population[35].

Overall, while the UK performs better than some countries in some studies, it still faces considerable challenges, with many individuals possessing insufficient financial knowledge to make the informed decisions required in today's complex financial environment.

## 2.2 The impact of UK institutional approaches

There have been a number of institutional efforts to improve financial literacy. However studies show that many still lack the essential skills required to manage their finances effectively, contributing to broader economic and social challenges.

The results of recent surveys suggest that even with efforts such as a detailed national strategy for financial capability[36] and financial literacy education integrated into national curriculums[37], there are persistent gaps in financial knowledge and capability. For example:

**1. Wealthify and CEBR survey (2023)**

A survey of 2,250 Britons on topics like inflation, taxes, pensions, and savings revealed that almost 73% of respondents scored below the benchmark of 6.5 out of 10, a standard deemed necessary for financial literacy[38]. This points to widespread gaps in understanding key financial concepts.

33 Messy and Atkinson, *Measuring Financial Literacy: Results of the OECD/ International Network on Financial Education (INFE) Pilot Study*, 11.

34 De Bekker et al, *Identifying Financially Illiterate Groups: An International Comparison*, 494.

35 Klapper and Lusardi, Financial Literacy and Financial Resilience: Evidence From Around the World, 613.

36 Faulkner, *Financial Literacy Around the World*, 16.

37 Money & Pensions Service, *Financial Education in Schools.*

38 Cunnah, What is the UK's Level of Financial Knowledge.

**2. Financial Capability Survey (2018)**

The Financial Capability Survey found that 39% of adults (approximately 20.3 million people) feel unconfident in managing their finances, underlining the need for better financial education and skills among the UK population[39].

**3. The Centre for Social Justice report (2022)**

The Centre for Social Justice highlighted that 46% of individuals who have experienced financial difficulties attribute part of their struggles to low money management skills[40], further underscoring the real-world consequences of inadequate financial literacy.

## 2.3 Persistent disparities among different demographic groups

There is a widespread recognition that financial literacy is not evenly distributed across the UK population. Several key factors—such as gender, income, education, ethnicity, and age—have been identified as influencing financial literacy levels, often leading to persistent disparities.

1. Gender and financial literacy

A significant gender gap in financial literacy exists in the UK, with women consistently showing lower levels of financial knowledge compared to men. For example, one international study indicates that 'a gender gap is clearly visible for most countries', with the UK having a notable 16% gender gap in financial literacy[41]. UBS found that 56% of women do not know how much wealth they can pass onto the next generation, compared to 47% of men[42], and a survey by the Money and Pensions Service showed that 60% of women lack a plan for their finances in retirement, compared to 44% of men[43]. Similar patterns are seen in other countries[44].

*Why is this?*

Gendered differences in financial literacy are influenced by social norms and household dynamics, with women often not socialised into financial decision-making roles as early as men[45]. These disparities can have long-lasting effects on women's financial knowledge and confidence, which can impact their retirement planning and economic security later in life[46].

39 Financial Capability, *Levels of Financial Capability in the UK Are Too Low.*

40 The Centre for Social Justice, *On the Money: A Roadmap for Lifelong Financial Learning*, 4.

41 Cupák et al, *Decomposing Gender Gaps in Financial Literacy: New International Evidence*, 103- 105.

42 UBS, *Women and Investing*, 3.

43 Money & Pensions Service, *Protected Characteristics and Financial Wellbeing*, 6.

44 Cupák et al, *Decomposing Gender Gaps in Financial Literacy: New International Evidence*.

45 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 96.

46 Danes and Haberman, *Teen Financial Knowledge: Self-Efficacy and Behaviour: A Gendered View*, 58.

### 2. Income and education

There is a strong positive correlation between income and financial literacy, with higher income groups consistently scoring better on financial literacy tests[47]. In a global study including the UK, Klapper and Lusardi showed that 'rich adults have higher financial knowledge than poor adults' and 'financial literacy sharply increases with educational attainment'[48].

In a study of UK households, disparities were indicated from a young age, with disadvantaged youth having significantly lower financial skills compared to their wealthier peers[49]. Similarly, in the US, 'low-income youths', those in 'foster care', those with 'adolescent parents', and 'youths who have dropped out of high school' were identified as particularly vulnerable groups[50]. Education and income remain important through to later life, with 'education and income levels' sometimes found to be even more important than 'demographic factors such as gender and immigration status' in predicting financial knowledge gaps in older adults[51].

*Why is this?*

A critical driver of this gap across the literature is experience. Starting at a young age, 'youth from financially disadvantaged households are hindered first by lacking the experience of dealing with financial institutions, and second by having less experience and practice managing larger sums of money'[52]. These gaps widen further throughout the lifecycle, as 'the harmful effects of such factors tend to accumulate and amplify over time'[53].

### 3. Ethnicity and financial literacy

Ethnic minorities, already more likely to have lower levels of income and wealth, may 'experience a widening of this gap over their lifetimes' due to lower levels of financial literacy[54]. In an international systematic literature review, 'those having ethnic and regional differences' are shown as some of the 'most susceptible sections' of the population for low levels of financial literacy[55].

*Why is this?*

Other studies have shown mixed results, with some minority groups (eg, South Asians)[56] exhibiting higher financial literacy than others, but ethnic minority individuals remain vulnerable due to lower income, limited financial experience, and discrimination. The impact of cultural factors and a reliance on informal sources of financial advice can also influence financial decision-making in ethnic minority communities[57].

47 Messy and Atkinson, *Measuring Financial Literacy: Results of the OECD/ International Network on Financial Education (INFE) Pilot Study,* 11.

48 Klapper and Lusardi, *Financial Literacy and Financial Resilience: Evidence From Around the World*, 597- 601.

49 Gibson and Payne, *Investing in the Future: The Case for Universal Financial Education in the UK*, 12.

50 Burrus et al, *Building Bridges to a Brighter Tomorrow*, 530.

51 Khan et al, *Understanding the Financial Knowledge Gap: A New Dimension of Inequality in Later Life*, 499.

52 Drever et al, *Foundations of Financial Wellbeing,* 25.

53 Burrus et al, *Building Bridges to a Brighter Tomorrow*, 526.

54 Leone and Thompson, *Financial Literacy and Advice Perceptions Among UK Higher Education Students: An Ethnicity Tale,* 7.

55 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 92.

56 Perry et al, *Determinants of Students' Financial Anxiety Amidst COVID-19*, 5.

57 Leone and Thompson, *Financial Literacy and Advice Perceptions Among UK Higher Education Students: An Ethnicity Tale,* 30.

### 4. The importance of age in financial literacy

The literature shows that young people are particularly vulnerable, with many lacking basic financial knowledge. For example a Wealthify survey found that UK teens (16-18 years old) scored particularly poorly on financial literacy tests, with the average 16-18 year olds 'getting just 2 questions right out of 10'[58]. LFBF's Young Persons' Money Index presents similar findings year on year, for example reporting in its 2023/24 study for 15-18-year-olds that in questions asked to 'gauge basic financial knowledge and capability… knowledge continues to be patchy at best'[59]. Early adulthood is a key stage for intervention, as young people are vulnerable to financial struggles, including student debt, and often lack the foundational knowledge to make 'important and consequential' financial decisions[60].

Millennials appear to have levels of financial knowledge which are 'significantly lower than that of previous generations'[61], with one study finding that 'millennials are prone to financial struggles'[62] and another large survey showing that 'only 24% of Millennials answered four or five financial knowledge quiz questions correctly, compared to 38% of respondents in Generation X'[63].

Older adults, particularly those approaching retirement, face a multitude of risks and challenges. Some face challenges with financial literacy due to cognitive decline[64,] and there is evidence to suggest that 'many people arrive near retirement without having grasped some key important concepts central to financial decision making' and 'with little or no retirement planning'[65]. In another study Khan, Rothwell, Cherney and Sussman find that 'older adults over-estimate their financial knowledge', making them 'more likely to engage in risky financial practices at a life stage that requires more conservative decisions', thereby exposing these individuals to 'financial fraud, exploitation, and abuse'[66].

### 5. Intersectionality and targeting vulnerable groups for effective interventions

The concept of intersectionality – where multiple layers of disadvantage compound – plays a key role in understanding the ways in which overlapping disadvantage can lead to even bigger gaps in financial literacy. For example:

A low-income, single woman with little formal education would have significantly lower financial literacy compared to a wealthier, college-educated man, with financial literacy gaps like this reaching up to 45%[67].

Among millennials, higher financial literacy is seen in line with 'education level, employment, income, and home ownership'; interventions are needed to address the fact that 'institutional arrangements in society… perpetuate opportunity and advantage for some millennials, and disadvantage for others'[68].

Among older generations, 'low-income older men are more likely to have experienced cumulative and compounding disadvantage, [placing] them at greater risk for economic uncertainty', and they are also 'more likely than other groups to overestimate their financial knowledge'[69].

Precision in programme design, recognising that vulnerabilities can overlap and including 'targeted strategies for vulnerable populations' at key points in their lives, is important in maximising impact[70].

58 Cunnah, What is the UK's Level of Financial Knowledge.

59 The London Foundation for Banking & Finance, *Young Persons' Money Index 2023/ 2024*, 36.

60 Lusardi, *Financial Literacy and the Need for Financial Education: Evidence and Implications*, 5- 6.

61 Kim et al, *Financial Knowledge and Short-Term and Long-Term Behaviours of Millennials in the United States*, 194.

62 She et al, Young Adults' Financial Wellbeing: Current Insights and Future Directions, 334.

63 Kim et al, *Financial Knowledge and Short-Term and Long-Term Behaviours of Millennials in the United States,* 195.

64 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 91.

65 Mitchell and Lusardi, *Financial Literacy and Financial Behaviour at Older Ages*, 13.

66 Khan et al, *Understanding the Financial Knowledge Gap: A New Dimension of Inequality in Later Life*, 487- 491.

67 Lusardi et al, Financial Literacy Among the Young, 358.

68 Friedline and West, *Financial Education is Not Enough*, 666.

69 Khan et al, *Understanding the Financial Knowledge Gap: A New Dimension of Inequality in Later Life,* 499.

70 Burrus et al, *Building Bridges to a Brighter Tomorrow,* 530.

# Chapter 3 – Understanding best practice in financial education

The evidence across the literature highlights a number of promising avenues for developing best practice financial education.

### Classroom-based financial literacy courses

Studies evaluating the effectiveness of classroom-based financial literacy courses for both adults and young people provide mixed results.

While some studies report modest success, the overall evidence on long-term retention and behaviour change remains sparser[71], and where studies do exist, results are often less encouraging. For example, a review of 168 studies on financial education found that large interventions, even those with many hours of instruction, showed negligible effects on behaviour after 20 months or more[72]. In another paper, research on students who had completed personal finance courses 1–4 years earlier found no significant difference in financial literacy between those who had taken the courses and those who had not[73].

Moreover, classroom education often uses a 'one-size-fits-all' approach, which has weaker effects on certain groups, particularly low-income individuals[74] and women[75]. While classroom courses do not appear to have negative effects, there is a clear need for more effective interventions[76].

### 1. The importance of early intervention

Early intervention is vital for achieving lasting behavioural change in financial decision-making. Cognitive traits, such as inhibition, self-control, and working memory, are crucial to financial wellbeing, and these skills develop rapidly in the first five years of life[77]. Early interventions can strengthen these executive function skills alongside basic financial education, improving the likelihood of sustained financial capability later in life. For example, teaching children strategies to overcome immediate temptations (such as visualising a savings goal when faced with spending opportunities) could have a significant long-term impact on their financial decision-making[78].

Another paper emphasises the importance of self-control over financial knowledge alone, highlighting that a lack of self-regulation is a stronger predictor of over-indebtedness than financial illiteracy[79]. Crucially, deficits in executive function become harder to address beyond early childhood[80].

Interventions at this early point in life are key in overcoming the challenges of more traditional 'financial education decaying over time'[81] ; 'developing strong executive function early in life may enable people to function effectively and engage in broad learning throughout life – including in specifically finance-related ways'[82].

71 Money & Pensions Service, *Developing Children and Young People's Financial Capability: Evidence Review*, 15.

72 Fernandes et al, *Financial Literacy, Financial Education, and Downstream Financial Behaviours*, 1861.

73 Mandell and Klein, *The Importance of Financial Literacy Education on Subsequent Financial Behaviour*, 15.

74 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 21.

75 Lusardi and Mitchell, *Planning and Financial Literacy: How Do Women Fare?*

76 Hastings et al, *Financial Literacy, Financial Education and Economic Outcomes*, 19.

77 Gaudecker, *How Does Household Portfolio Diversification Vary With Financial Literacy and Financial Advice?*, 503.

78 Drever et al, *Foundations of Financial Wellbeing*, 20.

79 Gathergood, *Self-Control, Financial Literacy and Consumer Over-Indebtedness*, 590.

80 Gaudecker, *How Does Household Portfolio Diversification Vary With Financial Literacy and Financial Advice?*, 503.

81 Fernandes et al, *Financial Literacy, Financial Education, and Downstream Financial Behaviours*, 1861.

82 Drever et al, *Foundations of Financial Wellbeing*, 19.

### 2. "Just in time" financial education

Another potentially powerful avenue for financial literacy education is "just in time" learning, which provides relevant financial knowledge at the exact moment it is needed ("teachable moments"). This approach is particularly beneficial for individuals at key financial life stages, such as young people facing their first financial responsibilities (eg, taking on student loans, opening a bank account)[83]. This type of education allows learners to apply knowledge immediately, thereby reinforcing positive financial behaviours and reducing the risk of knowledge degradation commonly seen in traditional classroom education[84].

Kaiser and Menkhoff also highlight the importance of teachable moments for hard-to-reach groups, such as low-income individuals, who may be more receptive to financial education at moments of immediate relevance[85].

### 3. Experiential learning for financial capability

Experiential learning, which actively engages learners in real-life financial decisions, has been shown to enhance financial capability more effectively than traditional classroom education. Experiential learning approaches include financial simulations[86] and hands-on programmes like 'bank-at-school', which allow students to open and manage savings accounts[87]. This method offers the dual benefit of providing both learning opportunities and access to financial products, which is particularly important for those from disadvantaged backgrounds who may otherwise face financial exclusion[88].

Research suggests that experiential learning promotes self-efficacy and provides opportunities for reflection, helping individuals apply financial knowledge in meaningful ways[89]. Furthermore, such programmes can help overcome barriers faced by low-income individuals who may lack access to traditional financial services.

Johnson and Sherraden note that 'without changes in institutional access, financial education could even have negative effects'. If, for example, a young adult 'learns that it is important to have a savings account' but, upon attempting to open one, finds that a minimum sum is required, 'this experience could result in an enduring negative association with banks and diminished capability' in the long run[90]. When experiential learning offers access to financial institutions and services, it acknowledges and overcomes the fact that 'having financial knowledge and being able to apply financial knowledge are not the same for each individual'[91].

83 Drever et al, *Foundations of Financial Wellbeing*, 26.

84 Mandell and Klein, The Impact of Financial Literacy Education on Subsequent Financial Behaviour.

85 Kaiser and Menkhoff, *Does Financial Education Impact Financial Literacy and Financial Behaviour, and If So, When?*, 627.

86 Carlin and Robinson, *What Does Financial Literacy Training Teach Us?*

87 Johnson and Sherraden, *From Financial Literacy to Financial Capability Among Youth*, 127- 128.

88 Huang et al, *Financial Knowledge and Child Development Account Policy: A Test of Financial Capability*, 24.

89 Drever et al, Foundations of Financial Wellbeing, 28.

90 Johnson and Sherraden, *From Financial Literacy to Financial Capability Among Youth*, 125- 126.

91 Blue and Grootenboer, *A Praxis Approach to Financial Literacy Education,* 755.

#### 4. The role of technology

Technology, particularly educational apps and digital tools, plays an increasingly important role in promoting financial literacy, with fintechs showing significant promise in building financial literacy. Gamification and simulations, in particular, have proven success in engaging users and improving financial literacy. For example, French, McKillop and Stewart found that prize-driven competitions in personal finance apps led to higher user engagement[92]. Additionally, apps such as Commonwealth's "SavingsQuest" in the US, combining gamification with practical financial tasks, such as saving small amounts of money, are showing promise in reinforcing positive financial behaviours[93].

Generative AI is also emerging as a promising tool for delivering tailored, "just in time" financial education. AI technologies can adapt to users' evolving needs, providing personalised solutions in real time. This can be particularly beneficial for delivering targeted financial advice at crucial moments in users' financial lives[94].

However, some caution that the rapid development of digital technologies should be carefully managed in educational contexts, noting that more is not always better[95]. Over-reliance on technology may present risks, such as the potential for financial products like cryptocurrency to confuse or mislead consumers[96].

#### 5. Cross-sectoral partnerships for building financial capability

Cross-sectoral partnerships, particularly between financial services organisations and educational providers, are key to improving financial capability. Financial institutions can support financial education by offering practical tools, such as savings accounts, alongside educational content.

However, it is essential to remain cautious of potential conflicts of interest. As Hoffman and Otteby point out, financial institutions may have vested interests in promoting certain products, which could undermine the effectiveness of financial education. Despite these concerns, financial services organisations play a crucial role in delivering financial inclusion and supporting individuals in making informed financial decisions.

## 3.1 Gaps in the literature

Although extensive research has been conducted on which groups benefit most from financial education and which methods are most effective, there is a significant gap in the literature regarding the 'supply' of financial literacy interventions in the UK. Existing tools, whilst valuable, are often limited to financial education programmes for young people, and publish time-limited findings[97]. Furthermore, the lack of granular, organisational-level data on financial literacy initiatives means that assessing the scale and impact of current interventions is challenging.

While the literature provides a wealth of insights into effective financial education strategies and potentially positive new developments, there remains a need for more targeted research on the availability and effectiveness of current interventions, particularly at the organisational level.

92 French et al, *Personal Finance Apps and Low-Income Households*, 373.

93 Maynard and McGlazer, *The Gamification Effect*, 6- 7.

94 Vadari and Malladi, *Generative Knowledge Management for Financial Inclusion Through Financial Literacy*.

95 Hodge, *Conversational Learning: One Year Down, One to Go*.

96 Panos and Wilson, *Financial Literacy and Responsible Finance in the FinTech Era*, 297.

97 Money & Pensions Service, *Financial Education Provision Mapping 2021: Final Report*.

# Chapter 4 – What financial literacy support is available?

## 4.1 Supply analysis

The content analysis conducted for this research focused on core groups in this space, being banks, building societies, and credit unions, along with charities, social enterprises, fintechs and education-focused companies. There are other organisations in the UK undertaking financial literacy projects and activities, but the sheer number of other potential sources made trying to capture them near impossible for this project. There is no central register currently.

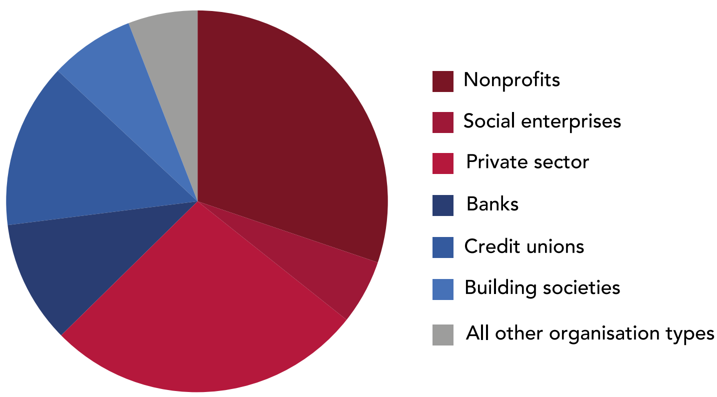
Even the focus on core groups highlights the significant scale of financial literacy support across the UK – involving over 400 organisations from diverse sectors. Approximately 120 charities and social enterprises focus entirely or partially on financial literacy. The banking sector alone features nearly 50 banks providing free resources such as budgeting guides, with 30 of them also running or funding dedicated financial literacy programmes. Examples include HSBC's UK Education Programme[98], NatWest's MoneySense[99], and Barclays' Life Skills[100]. Similarly, around 30 building societies also offer free resources or run financial education initiatives, such as several building societies' partnerships with WizeUp Financial Education[101].

Credit unions play a particularly pivotal role in promoting financial wellbeing, with over 380 credit unions assessed. These organisations, traditionally focused on serving low-income communities[102], have a strong inclination to support financial literacy. Around 90 credit unions are involved in offering financial education through resources and programmes, and 35 of them run "school savings" schemes where children are taught to save money, manage accounts, and develop financial skills.

Private sector companies also contribute to financial education, with around 90 organisations identified, ranging from gamified solutions like Dot Dot Fire's Money Wise Challenge[103], to educational resource developers like Twinkl, which provides teacher-created financial literacy materials[104].

Excluding the less labour-intensive free resources offered by financial services institutions, over 300 organisations across the UK actively contribute to financial literacy efforts, underscoring a wide-ranging commitment to addressing financial illiteracy.

**Interventions by organisation type**




## 4.2 Analysis of programme focus

Of these 300+ programmes, around 50% provide services targeted at children and young people. This proportion rises in the banking, building society, and credit union sectors, with approximately 75% of their programmes either dedicated to or including youth-specific interventions. In contrast, only 4% of programmes explicitly target the needs of women, predominantly in the private sector. Similarly, only 2% focus explicitly on the needs of ethnically diverse communities. Services designed for those on low incomes are also less prevalent than those focused on youth.

98 HSBC, *Financial Education: Helping Young People of All Ages to Learn About Money.*

99 NatWest, *MoneySense – A Free Financial Education Programme for 5-18s.*

100 Barclays, *LifeSkills.*

101 WizeUp Financial Education, *Our Partners.*

102 Vik and Wallace, *The Impact of the Cost-Of-Living Crisis on British Credit Unions and Community Lenders*, 30.

103 LinkedIn, *Dot Dot Fire.*

104 Twinkl, *Unlimited Downloads, Resources and More.*

Despite the extensive provision of financial literacy programmes, particularly for children and young people, the persistence of low financial literacy levels across the UK[105] raises concerns about the effectiveness of these initiatives. It appears that, while the volume of support is substantial, these programmes have yet to produce significant improvements in financial literacy among target beneficiaries.

## 4.3 Accessing financial literacy support

A key finding from this primary research is the significant difficulty we found in sourcing and mapping organisations dedicated to financial literacy across the UK. The Charity Commission Register, which is intended to help users find information on registered charities in England and Wales[106], proved inadequate for this mapping exercise. Of the approximately 1,200 results returned from the core search, fewer than 1% were directly relevant to financial literacy. Even more concerning, many organisations identified through other methods were not present in targeted searches of the Charity Commission's database, which returned numerous irrelevant results and failed to capture key organisations offering dedicated financial literacy services.

In contrast, a LinkedIn search of UK companies related to 'financial literacy' returned more promising results, with nearly 40% of the organisations identified as relevant. However, this search also raised significant concerns about the quality of organisations. For example, some of the organisations found had been dissolved (as confirmed through Companies House), while others, despite claiming to support financial literacy, were promoting harmful practices including high-risk financial behaviours such as crypto investing.

These issues underline the challenges individuals may face in finding trustworthy financial literacy resources. Considering children and young people as just one example, while many banks, building societies, and credit unions provide easily accessible support, the most recent Young Persons' Money Index revealed that only 2% of young people get most of their financial understanding from banks or financial product providers[107]. Young people may also struggle to use databases like the Charity Commission's due to its deficiencies, and may instead rely on search engines and social media, where quality is inconsistent and misleading information can be prevalent.

These findings align with the insights from our own research, the Young Persons' Money Index, which highlighted that an increasing number of young people turn to social media as their primary source of financial information. This creates significant challenges in ensuring that young people can differentiate between credible and unreliable sources[108]. The absence of a centralised, trustworthy source for financial literacy resources is a growing concern, leaving many vulnerable to misinformation.

## 4.4 Partnership and consolidation

A key theme emerging from this research is the need for organisations to work together and, potentially, the need for consolidation of services across the many organisations providing financial literacy support. The landscape of financial literacy services is fragmented, with numerous organisations offering similar programmes, particularly those aimed at children and young people.

For example, a range of financial services institutions are all running their own separate, yet similar financial education initiatives for young people. Additionally, around 35 credit unions are operating School Saver schemes. While these schemes are hugely beneficial on a local level, there appears to be limited collaboration or knowledge-sharing between these credit unions, which could enhance the overall impact of these initiatives.

Some examples of collaboration do exist. For instance, WizeUp Financial Education has partnered with twelve building societies across the UK[109]. Other partnerships include Monzo working with National Numeracy[110] and Lloyds Bank collaborating with Crisis and The Oswin Project[111].

Additionally, there is the Youth Financial Capability Group, which includes organisations such as LFBF, Young Enterprise, The Money Charity, RedSTART Educate, and the Just Finance Foundation[112].

Despite these examples of collaboration, they are relatively few in comparison to the large number of organisations identified in this research, suggesting a missed opportunity for greater knowledge-sharing across the sector. Enhanced cooperation could lead to more effective and coordinated financial education programmes, ultimately benefitting the wider community.

105 Cunnah, *What is the UK's Level of Financial Knowledge.*

106 Gov.uk, *Search the Charity Register.*

107 The London Foundation for Banking & Finance, *Young Persons' Money Index 2023/ 2024*, 12.

108 The London Foundation for Banking & Finance, *Young Persons' Money Index 2023/ 2024*, 3.

109 WizeUp Financial Education, *Our Partners.*

110 Monzo, *Our Social Impact.*

111 Lloyds Banking Group, *Supporting Customers with their Financial Wellbeing.*

112 The Money Charity, *The YFCG.*

# Chapter 5 – Accelerating progress: the need for change

The previous section shows there is evidence of high levels of engagement and a variety of support available from across the financial, education and charitable sectors, with some evidence of collaboration.

However, given the persistent low levels of financial literacy we are seeing, something is not working – we need to change how we approach the problem, and find new solutions.

From our interviews with experts, as well as analysis of the available literature and the existing sector of support, we've identified five key areas for future focus.

1. Universal inclusion requires scale, but tailoring programmes for different groups is equally critical.

   It is clear there are large differences in financial knowledge across different groups, but to be effective in making change scale is important. Programmes for children and young people, and women, can reach large cohorts in need, as well as others across the community. For example, focusing on young people has the potential to reach parents and teachers, or in focusing on women as 50% of the population, this group could influence their wider communities.

   However, programmes need to be designed and monitored to ensure disadvantaged groups within wider cohorts are being reached and that programmes are sensitive to needs. Programmes targeting these cohorts must be designed to address the unique challenges they face, such as gender dynamics and self-confidence for women[113], and executive function development in young children[114].

### **Interview Spotlight:** Professor Annamaria Lusardi

Lusardi emphasised the importance of reaching 'large groups of the population'; otherwise, it is 'just a drop in the ocean'. She highlighted the importance of reaching children and young people, for example in schools, not only for the benefits of reaching this large cohort, but also because 'you reach the parents, you reach the teachers, and you reach the community', offering a 'multiplier effect'. We also discussed the promise of supporting women in developing financial literacy, offering the opportunity to reach 'half of the population' in line with the 'gender differences in financial literacy [seen] around the world', as well as the potential for women to extend knowledge to their community.

'The young are really the ones that are facing, in a sense, the big changes. But there is another important thing – within the school you reach others'.

Professor Annamaria Lusardi is Senior Fellow at the Stanford Institute for Economic Policy Research (SIEPR), and the Director of the Initiative for Financial Decision-Making, a collaboration between SIEPR, the Graduate School of Business (GSB), and the Economics Department at Stanford University. Her extensive research on financial literacy is some of the most widely cited in the world[115].

113 Lusardi and Mitchell, *The Importance of Financial Literacy: Opening a New Field.*

114 Drever et al, *Foundations of Financial Wellbeing*, 20.

115 Goyal and Kumar, *Financial Literacy: A Systematic Review and Bibliometric Analysis*, 85.

2. Interventions need to be early, but also relevant to individuals' circumstances and life stages.

   Age matters. The research has found that the timing of interventions is critical, with early childhood providing a key opportunity to establish financial wellbeing foundations[116], while financial education remains essential throughout youth, especially as rising education costs and debt make financial literacy increasingly vital[117]. "Just-in-time" education for young adults, especially before key decisions like further education or entering the workforce, is critical[118].

   But it's not just young people who need support. There are significant numbers of people entering old age with little or no retirement planning[119].

3. Making better use of technology and innovative learning practices, such as experiential learning and gamification, could have a very positive impact.

   Technology was cited as an enabler for scalable solutions, however, considerations of the risks associated with fintech[120], and issues of access, would need to be carefully managed. Apps with simulations offering a risk-free environment to practice real-world financial tasks, or those that provide challenges and rewards as part of gamification, show significant promise for behavioural influence[121 122]. These solutions are cost-effective and offer promise for scalability.

   There is also a wealth of evidence to support experiential learning, to enable people to put into practice decisions which rarely happen over someone's life cycle (eg, retiring, getting a mortgage). Experiential learning is even more powerful if delivered with access to real financial services and products.

## **Interview Spotlight:** Dr. Christopher Houghton Budd

Experiential learning can come in many forms, for example Houghton Budd's advocacy of teaching the concepts of double-entry bookkeeping to develop financial literacy which, in his view, is 'the basis of all finance'. He gave the example of teaching this for children aged 11-12 via working with students to 'run a pizza operation'. In practically demonstrating the principles of double-entry bookkeeping via this exercise, 'you get practical very quickly; you will very soon find you're going to have to provide some capital for those students, as they won't be happy just playing around'.

Simulating, or replicating on a small scale, the activity of going into and managing a business, not only develops a strong foundation of financial literacy, but enables recipients of this education to 'understand how the financial system works'.

Dr. Christopher Houghton Budd is an economic and monetary historian. Youth financial literacy is one of Houghton Budd's six key project focus areas, and across his work, he explores the subtler aspects of economic and monetary history in order to sense the deeper meaning of current circumstances and where they might be leading. He has written on and delivered training to young people to develop their financial literacy all over the world.

4. People need the ability to act (financial education) but also the opportunity to act (financial capability)

   The research findings highlight the importance of delivering financial education alongside building a supportive institutional setting. Financial capability approaches to financial education offer the most promising avenues for experiential learning, and can mitigate against the significant downsides of delivering financial education without access to financial services. In fact, for vulnerable groups, financial education programmes can lack relevance or even discourage people, for example, if education is followed by a negative experience[123].

116 Drever et al, *Foundations of Financial Wellbeing.*

117 Lusardi, *Financial Literacy and the Need for Financial Education: Evidence and Implications*, 5- 6.

118 Blue and Grootenboer, *A Praxis Approach to Financial Literacy Education.*

119 Mitchell and Lusardi, *Financial Literacy and Financial Behaviour at Older Ages*, 13.

120 Panos and Wilson, *Financial Literacy and Responsible Finance in the FinTech Era*, 297.

121 French et al, *Personal Finance Apps and Low-Income Households*, 373.

122 Maynard and McGlazer, *The Gamification Effect*, 6- 7.

123 Johnson and Sherraden, *From Financial Literacy to Financial Capability Among Youth*, 125- 126.


## **Interview Spotlight:** Professor Margaret Sherraden

Professor Margaret Sherraden emphasised the importance of thinking about 'what you do at an individual level, and what you do a structural level', cautioning that if we approach financial literacy purely as 'a behavioural issue, we are not going to get anywhere'. Highlighting financially vulnerable populations, she spoke about issues of trust in financial institutions, and the importance of structural reform alongside education to make sure people 'really feel they are being advantaged as a result of participating in the system'.

She advocated for experiential learning that offers access to real financial services and products as 'the ultimate form of experiential learning'; this type of learning creates a tangible 'advantage to learning' and makes sure that the education 'means something' to recipients.

Professor Margaret Sherraden's scholarship focuses on household and community development. A leader in financial capability and asset building, she has published five books and numerous articles on advancing economic wellbeing. She led one of the 12 Grand Challenges in Social Work Initiative papers on Financial Capability and Asset Building for All. Sherraden is a faculty director at the Brown School's Center for Social Development.

5. There is significant potential for better partnership and consolidation across existing services

   There are a wealth of organisations providing support in this space, but mostly operating independently of each other. That has led to patchy coverage, duplication of effort and overlaps, but also risks entire groups being left behind. Partnership across sectors is needed for true financial capability to be possible and to build on good practice – for example, with credit unions and other organisations who are already delivering programmes of this nature, such as School Saving schemes.

# Conclusion

This research has highlighted the need for a comprehensive, collaborative approach to addressing financial illiteracy across the UK. The cost of financial illiteracy is high, and investing in financial capability is essential to prevent both individual suffering and broader economic crises. Averting the negative impacts of financial illiteracy, rather than resorting to addressing the consequences, would be extremely beneficial for both individuals and society as a whole.

The evidence points to the need for a collaborative and holistic approach, focused on financial capability, which would combine financial education with access to inclusive and affordable financial services, to ensure that learning can translate into practice. That must be a key part of our activities.

Financial literacy interventions in the UK need to be designed with an understanding of the complex factors that influence financial knowledge and behaviour. While we have found that support is being provided by a vast array of organisations, finding and accessing quality-checked support is challenging due to fragmented and sometimes unreliable databases and information sources. There is a clear need for collaboration, knowledge-sharing, and resource consolidation among organisations with common goals.

Working together, we believe we can build a future where everyone has the opportunity to live more fulfilling lives by improving their financial capability and confidence.

If you agree, and would like to work with us, please contact us via our **website** at www.lfbf.org.uk.

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The London **Foundation** for Banking & Finance

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