

Financial capability:

the Public's Perspective in the
Current Economic Climate

Summary

JULY 2008

Financial Capability: The Public's Perception in the Current Economic Climate

With statistics collected and collated from ComRes, the CII research report into financial capability details public attitudes towards debt, savings and the impact of the current economic climate on these.

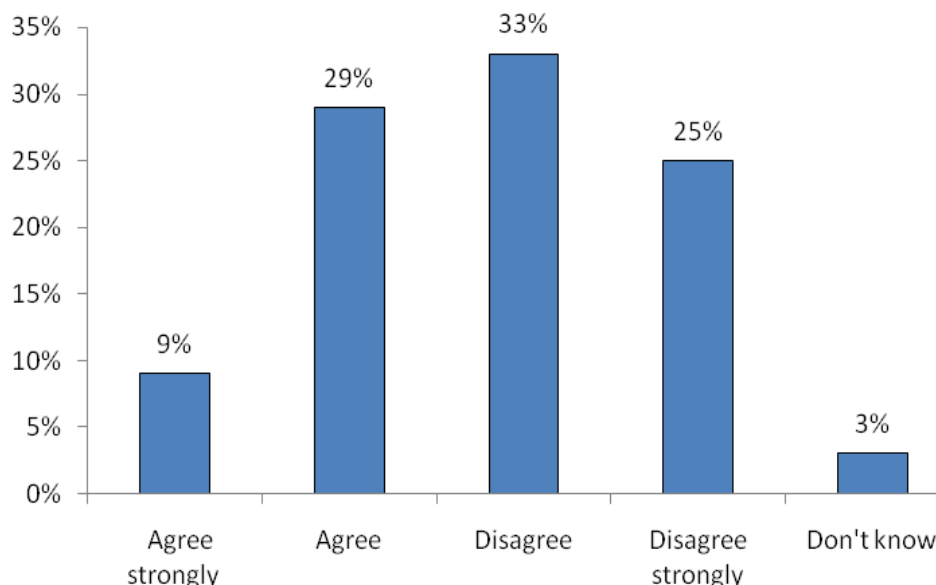
ComRes interviewed 1003 GB adults by telephone between 21st and 22nd May 2008. Data were weighted to be representative demographically of all GB adults. Results were analysed by gender, age, social class and region.

The report provides analysis and intelligence around where financial advice is needed most and gauges the effectiveness of an impartial Money Guidance service at a pivotal time in discussions between policymakers, industry and key stakeholders around the issues of financial literacy, indebtedness and the Retail Distribution Review.

The credit crunch and consumer confidence

Q. Thinking about the financial climate over the past 12 months, to what extent do you agree or disagree with the following statement: *I feel more financially secure*

Figure 1



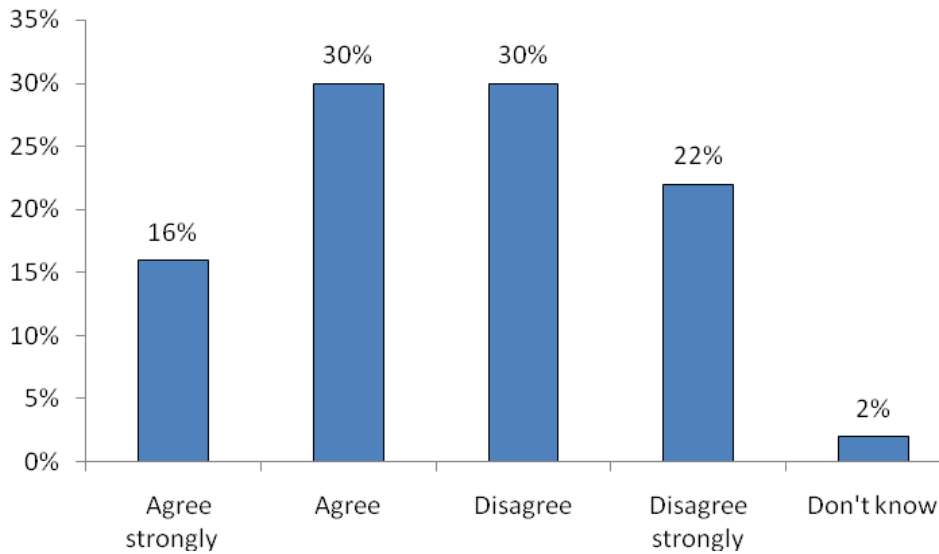
Results show that over the past 12 months, the worsening economic outlook has taken its toll on key indicators of consumer confidence:

- 58% of consumers either disagree (33%) or disagree strongly (25%) that they feel more financially secure (*Figure 1*);
- More than a third (35%) of consumers either agree (20%) or agree strongly (15%) that, thinking about the financial climate over the last 12 months, they have less job security; and
- More than half of consumers (53%) agree (32%) or agree strongly (21%) that they are less confident that their savings are safe than they were 12 months ago.

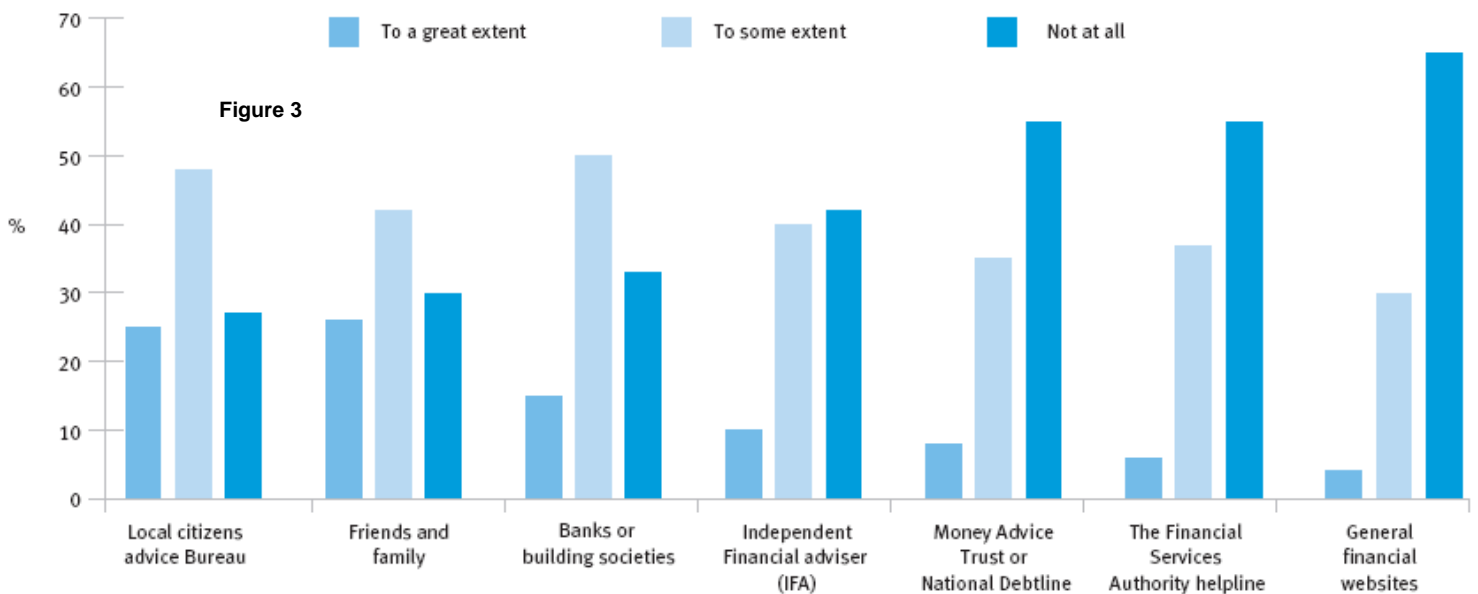
**Q. To what extent do you agree or disagree with the following statement:
I do not understand many financial products much so I have to put my faith in the person selling me the product.**

Plugging the advice gap

Figure 2



- Nearly half (46%) of consumers say they do not understand financial products much and so have to put their faith in the person selling them the product (*Figure 2*);
- There is a widely accepted belief (75% in agreement) that consumers in the UK are naïve when it comes to financial matters;
- Current efforts from Government and the Regulator to-date to provide advice to consumers is being widely ignored with less than 10% of respondents placing high value on Money Advice Trust, National Debtline or the FSA's helpline as a useful sources of advice (*Figure 3*); and
- 96% of consumers believe that financial literacy should be taught in schools and a further 84% see the benefit of a greater role of the employer in providing savings advice and information.

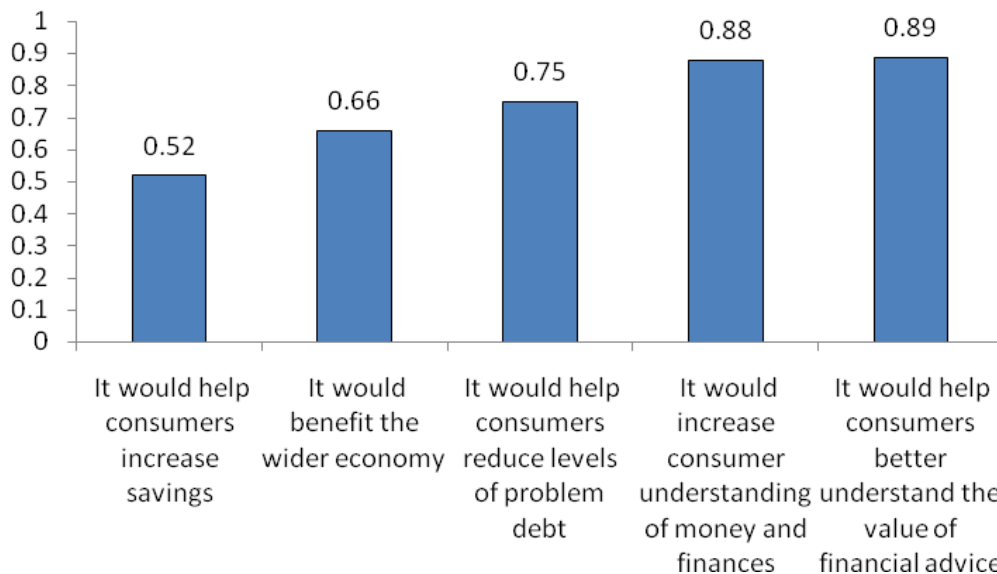


Q. If you were in financial difficulty, to what extent would you rely on each of the following for advice or suggestions on how to proceed?

The benefits of a Money Guidance service

Q. Do you agree or disagree that each of the following would be benefits of the money guidance service?

Figure 4



- Results show that many see the benefits of a Money Guidance service, particularly in helping to reduce levels of problem debt, consumer understanding of money, finances and the value of financial advice (Figure 4);
- 45% of consumers are either fairly likely (33%) or very likely (12%) to use such a service as Money Guidance;
- Traditional, professional financial advice does not resonate with social classes D and E highlighting the space for a drop-in, impartial Money Guidance service;
- With a clearer direction, and a more consumer-orientated debate around financial advice, there is strong reason to believe that such a guidance service will help consumers to increase their financial security, their capability to absorb interest rate changes, assuage fears of home repossession and to better understand and manage debt.

For a copy of the full survey results please visit our website:

<http://www.thepfs.org/pages/mediacentre/policy.aspx>

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