

THE UK FSA'S FINANCIAL CAPABILITY BASELINE SURVEY

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Why the FSA undertook a survey

- To gain a better understanding of current levels of financial capability – and where the biggest gaps were – to help the FSA and other stakeholders to determine priorities for the future
- To provide a baseline against which changes could be measured when the survey is repeated every 4-5 years

The survey was administered in 2005 and the results published in 2006

Some of the initial challenges

- What does financial capability mean in practice? We concluded that while knowledge and skills were important, ultimately it was about how people behave in practice
- Is there a single description of a financially capable person? We concluded that much depends on the person's circumstances – eg if you haven't got much money, you need to know pretty precisely how much money you have available; if you are wealthy, you only need to know this in general terms – but may well need to know about investing

We brought in experts

We appointed:

- Professor Elaine Kempson and her team at the Personal Finance Research Centre at Bristol University, to design the survey instrument – and later to analyse the results
- BMRB – market research experts – to question people who agreed to complete the survey

How did we decide what questions to ask?

- Those who designed the survey ran a number of focus groups – to find out, among other things, what participants thought were financially capable behaviours
- They then piloted the questions – in order to ensure that they would be clearly understood in the way that was intended

Deciding on the sample

- Around 5,300 people were interviewed. This included at least 500 people in each of the four countries within the UK (England, Northern Ireland, Scotland and Wales) and at least 400 interviews among ethnic minorities – to ensure that we would get statistically significant results for each of these sub-populations
- A random location sampling method was used (which is a relatively sophisticated form of quota sampling)

External scrutiny

- In order to subject the research methods and findings to independent external scrutiny, a panel of experts was established, made up of individuals from key research organisations
- The panel's remit was to scrutinise the research methods and outcomes at key stages of the research process

Components of financial capability

The survey covered five components of financial capability:

- Making ends meet
- Keeping track of your finances
- Planning ahead
- Choosing financial products
- Staying informed about financial matters

What were the challenges after the survey was completed?

- Analysing the data to establish interesting correlations
- Working out – from the mass of data – what were the key findings
- Presenting these findings clearly to stakeholders and the media

Components of financial capability

People were generally:

- Good at making ends meet and keeping track of their finances.
- Poor at planning ahead and choosing products
- Mixed results for staying informed

Key findings

The main themes to emerge were:

- Many people were failing to plan ahead adequately for retirement or for an unexpected expense or drop in income
- Only a small proportion of the population was experiencing problems with debt, but they are often very severely affected
- People were not taking adequate steps to choose products to meet their needs
- The under-40s were less capable, on average, than their elders

Next steps

- The results were used to help to determine priorities for the UK's national strategy on financial capability and to identify particular skills which it was important to focus on (especially planning ahead and choosing products)
- The survey helped to give credibility to the FSA-led national strategy on financial capability
- The survey is due to be repeated shortly – to measure changes within the population (and within particular sections of the population) since the first survey

Thank you!