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Building the UK's financial wellbeing in the light of Covid-19

In January 2020, the Money and Pensions Service asked us to become independent 'Challenge Chairs', bringing together 145 of the most experienced minds, to develop delivery proposals for the five national goals of the UK Strategy for Financial Wellbeing. This work will complete this December.

We have published an interim, independent report containing 13 urgent recommendations to address the financial wellbeing impact of the Covid crisis, now and into 2021. They respond to four key themes we have identified from our analysis of the crisis.

Moments that matter

People are often forced into thinking again about money at transitional moments in their lives. And Covid-19 is putting extra pressures — physical, financial, or emotional — on everyone in the UK. We identify 'moments that matter' that we think can make a difference.

Credit and debt

Credit has been an important buffer to help people through difficult circumstances during the Covid crisis. Unfortunately, over-indebtedness will be a consequence for many, especially when people lose their jobs.

Summary of a report from the Independent Challenge Chairs for the UK Strategy for Financial Wellbeing

Vulnerable circumstances

Covid-19 has amplified the circumstances that were already causing vulnerability for millions of people. Autumn 2020 is an important moment for financial services firms, and others, to take stock of how they have responded to the crisis.

Recommendations for government

Governments across the UK have done extraordinary and impactful things to respond to the financial shocks of the Covid crisis. We identified three valuable areas of action by the UK Government that we think should be continued, expanded, or accelerated.

Our 13 recommendations

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Recommendation 1

MaPS should run a three-phased programme of awareness raising, coordinating messaging and partners through an agile approach, to reach: people at risk of over-committing to high-cost credit; young people in financial difficulty finding it harder to transition to employment/further education; and people at risk of redundancy.

Recommendation 2

An ‘Essential Financial Skills’ training programme should be co-designed by MaPS, with young people, and embedded in all government backed programmes for 16- to 24-year-olds that lead to jobs and careers.

Recommendation 3

MaPS should develop parent/child conversation support tools to help families facing the combined challenges of money and mental health problems, drawing upon proven ‘Talk, Learn, Do’ techniques previously piloted by MaPS.

Recommendation 4

MaPS should create a later-life checklist for people over 50 who have been affected by the Covid crisis, especially people at risk of redundancy.

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Recommendation 8

FCA guidance requires firms to support people coming out of Covid-19 payment deferrals with increased overdraft or credit card commitments. We urge firms as a default to offer repayment plans and to waive interest for people who are in serious difficulty.

Recommendation 9

MaPS should carry out two reviews to help the debt advice sector address an expected rise in demand. MaPS and Money and Mental Health Policy Institute should promote accessible debt and credit services for people with mental health problems.

Recommendation 10

Fair4All Finance, Toynbee Hall and Fair by Design — with HM Treasury’s support, and building on the findings from the feasibility study undertaken by London Economics — should progress the design and pilot of a no-interest loans scheme targeted at those most in need.

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Recommendation 5

The Financial Conduct Authority (FCA) should explicitly require all firms to embed vulnerability strategies that reflect the ways that Covid-19 has deepened existing vulnerabilities, and placed new people in vulnerable circumstances. Firms should implement strategies from early 2021.

Recommendation 6

The National Academy for Social Prescribing, Mental Health UK and MaPS should make their new money support resource rapidly available through NHS social prescribing link workers in England by the end of 2020.

Recommendation 7

Surviving Economic Abuse should lead a pilot of the Economic Abuse Evidence Form for creditors and credit reference agencies by Summer 2021 (for full roll-out in Autumn 2021). It would need additional funding. This should come from creditor and credit reference firms.

Recommendations for government

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Recommendation 11

DWP should maintain and extend relief measures put in place to help people who rely on welfare benefits and whose finances have been made worse by Covid-19. It could go further, and make the consent system for Universal Credit consistent with the system for legacy benefits.

Recommendation 12

HM Treasury and HMRC should further build upon their efforts to publicise ‘Help to Save’. They should now review their communications plans and specifically target anyone newly eligible because of the Covid crisis.

Recommendation 13

DWP should retain the changes to Statutory Sick Pay rules that have been introduced to deal with the Covid crisis. It could go further, by introducing reforms to Statutory Sick Pay that would make it a stronger source of financial support for everyone, not just people with Covid.