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To Whom It May Concern,

Fair 4 All Finance: Building Financial Capability Consultation

We welcome the opportunity to respond to this consultation. The Association of British Credit Unions Limited (ABCUL) is the primary trade association representing credit unions in England, Scotland and Wales with around two-thirds of credit unions in mainland Great Britain affiliated to the Association.

Credit unions are co-operative societies that provide financial services – primarily savings and loan facilities – to their member-owners. They are registered as Co-operative Societies under the Co-operatives and Community Benefit Societies Act 2014 and the Credit Unions Act 1979. As deposit-takers, they are dual-regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

Credit unions have since their inception in Britain in 1964 been closely associated with anti-poverty and financial inclusion. They tend to provide savings and loan facilities to those with limited or no access to financial services from mainstream providers, generally due to their low income and/or lack of a developed credit profile. They have been a central element of numerous government and philanthropic initiatives to extend financial inclusion and address the lack of adequate provision of affordable credit and secure savings facilities for large sections of the population. They are capped in the interest that they can charge at

42.6% APR under the Credit Union Act 1979 and provide credit in competition with high-cost lenders.

They are numerous, with over 220 credit unions active in Great Britain today with more than 1.5 million members and £2.7 billion in assets under management. They range from mid-sized businesses of up to 50 staff to small voluntary organisations.

Consultation Response

ABCUL welcomes the opportunity to respond to Fair4All Finance's Building Financial Capability Consultation. Financial capability combines the knowledge, skills, confidence, and motivation individuals need to manage money effectively, plan for the future, and make informed financial decisions.

Credit unions have long provided informal financial support to their members. By enhancing and digitising this support, they can extend their reach and strengthen financial capability at scale. As community-based providers, credit unions play a unique role in engaging people often overlooked by mainstream financial institutions.

Beyond offering financial assistance, credit unions help members understand and use financial products responsibly, such as loans and savings accounts. They are essential touchpoints for underserved communities, providing trusted guidance and practical tools to build financial resilience.

1. **What initiatives, services or approaches have you seen – either in the UK or internationally - that make a measurable positive impact on financial capability for people in financially vulnerable circumstances?**

Behavioural Change and Nudge Approaches

Clockwise Credit Union's 'Round Up Savings' feature automatically rounds debit card purchases to the nearest pound.[1], helping members save effortlessly and reinforcing positive financial habits. This approach is also commonly used by challenger banks, building societies, and banks. Credit unions are well-positioned to deliver effective services that close gaps in financial support. One proven example is the Save As You Borrow (SAYB) model, which helps members build savings while repaying loans. This dual approach promotes financial capability by combining affordable credit for everyday needs with the creation of a savings buffer for unexpected costs.

Although it may seem counterintuitive[2] to save while repaying debt, SAYB recognises that maintaining even small savings offers peace of mind and resilience for financially vulnerable individuals. Credit unions, with their deep community roots, are eager to expand this model nationally to nurture long-term saving habits and strengthen financial well-being.

Research by the Fairbanking Foundation (Ipsos MORI, 2017) found that 67% of SAYB users who previously had no savings now plan to save regularly throughout the year -demonstrating SAYB's success in turning borrowers into savers.

Prize-linked Savings

Prize-linked savings, often called "save to win", are more than just fun - they are a proven behavioural tool that encourages saving among people who might not otherwise save regularly, directly supporting financial capability and resilience.

By tapping into motivators such as excitement, anticipation, and low-risk reward, prize-linked savings make saving engaging and accessible. The chance to win a prize drives consistent saving, even in small amounts, helping individuals build positive money management habits like

[1] Round Up Savings - Clockwise Credit Union
[2] https://www.nestinsight.org.uk/could-hybrid-borrow-and-save-solutions-help-people-progress-towards-financial-resilience-better-than-standard-loan-products/

budgeting and tracking balances. This "lottery feel" provides a safe, socially beneficial alternative to gambling and promotes financial inclusion by attracting new savers with limited financial confidence.

Participants also gain exposure to savings mechanisms and credit union services, creating a gateway for broader financial education and literacy.

When the HM Treasury PrizeSaver pilot ended in March 2021, it had 10,619 members with over £1.2 million saved. ABCUL member credit unions, with the support of ABCUL and Incuto, continued to support the scheme, with current participation now having grown to 19,538 members and £2.1 million in savings.

Research by IFF[3] found that 7% of members had little or no confidence managing money, and only 49% felt confident making financial decisions - highlighting the scheme's success in engaging those most in need of support.

The PrizeSaver model fosters strong emotional engagement with credit unions, using behavioural insights such as loss aversion, salience, and low perceived risk. This gentle "nudge" approach effectively strengthens financial engagement without added pressure.

Soft Default and Payroll Savings

A recent report published by MaPS and Nest Insight [4] in partnership with key stakeholders, including credit unions, the utilisation of soft default approaches to set up payroll savings led to four times more people signing up to payroll savings instead of a standard promotional email.

If employed but still financially vulnerable: payroll deductions/savings/salary deductions through local credit union, can enable saving as little as £5 a month, amounting to around 16p a day.

[3] IFF_Research_PrizeSaver_Evaluation.pdf
[4] Payroll savings schemes - Building the evidence, making the case, expanding take-up

These automatic savings have significant potential to create a behavioural change through inertia, with minimal action needed on the part of the individual saving.

Income Maximisation Tools and Benefits Calculators.

Income maximisation tools, such as the InBest Benefits Calculator, can directly improve financial well-being by increasing the baseline income of people in vulnerable circumstances. Their impact is greatest when used alongside trusted organisations like credit unions, which provide informal financial advice. Embedding benefits checkers within processes such as loan applications can help uncover additional support and make a tangible difference to members' finances.

Digitising Financial Capability

Digital financial education can enhance financial capability, such as Commsave Credit Union's interactive app 'Commsave Educates,' which digitises financial capability. Commsave Educates provides a wealth of support to help with money management and financial wellbeing through easily accessible blogs, tools and 'top tips'. It equips members with skills to make choices about their financial lives. Commsave Educates enables a 'gamification' of financial education. For the delivery of 'Commsave Educates', Commsave partnered with Doshi, showing the value in digitising financial capability through engagement and gamification.

Another example of an app that drives financial capability and education through gamification is the Money Wise Game[5] developed by Dot Dot Fire. This is an educational platform designed to teach financial literacy through interactive gameplay. Participants engage in real-life scenarios, making decisions that simulate financial situations, which helps them to understand how to manage money effectively and develop financial decision-making.

[5] Gaming Ethically | Educational Video Games | Financial Literacy | Dot Dot Fire

Doconomy[6], a technology company focused on driving financial well-being, has been providing mutuals with tools like Impact Finance to encourage sustainable saving behaviours. Doconomy uses behavioural science to encourage long-lasting engagement with financial management and enhance financial well-being. Partnerships with innovative technology companies like Doconomy have the potential to scale credit union reach and, therefore, financial inclusion, capability, and well-being.

Early intervention through education in schools

Credit unions have a proven track record of success in interventions in early life settings, such as school programs to provide financial education and capability. Credit Unions of Wales School Savers Club[7] Has proven to be a success in helping children practically learn financial responsibility in an engaging way.

Additionally, School Savings Schemes such as that run by Celtic Credit Union, based in South Wales, enable school children to get into the habit of saving. The school savings scheme runs like a mini-credit union to promote good savings habits, but also supervised financial independence. [8]

2. What factors make these approaches effective? If available, please include the type and standard of evidence that shows the impact and factors driving this.

The effectiveness of these approaches lies in their ability to encourage behavioural and emotional change, engaging people and equipping them to manage their money while creating opportunities to build on that engagement. Many credit unions already apply behavioural principles through their non-judgemental approach to money management, allowing members to feel safe discussing financial worries openly, a cornerstone of the sector's success.

[6] Impact finance - Doconomy
[7] School Savers - Credit Unions of Wales
[8] Celtic Credit Union | School Savings

The Save As You Borrow (SAYB) model exemplifies this approach. By automatically saving as loans are repaid, SAYB promotes long-term saving habits and supports the development of financial resilience and capability among members.

The Money Wise game app has already attracted over 500,000 users worldwide and was ranked #2 in the Top 10 Educational Mobile Games in 2023, and has returned an estimated social value of £10 million in 2023.

3. Where do you see the biggest gaps in provision for those in financially vulnerable circumstances?

According to research conducted by the Money and Pensions Service (MaPS) approximately one in six UK adults (8.4m people) have no savings at all, and around two fifths (39%) of UK adults have £1,000 or less in personal savings, an amount that would make it difficult to manage for more than a month if they lost their main source of income.

However, there have been many initiatives and organisations involved in providing financial literacy programmes, yet the capability levels remain low. The use of gamification apps provides more than just information-based text; it draws on the behavioural changes required to build financial capability, knowledge and literacy, which have proven to be more effective.

Another gap in provision is low awareness of certain products, particularly the government's Help to Save scheme. Uptake has been lower than projected, largely because NS&I is not a familiar or trusted provider for the target audience. Allowing credit unions to deliver the scheme could increase awareness and participation, as they are already trusted institutions within the demographic the product is designed to support.

Credit unions also face a gap in meeting demand for affordable credit, with some lacking sufficient capital to serve financially vulnerable members. Bridging this capital gap would enable credit unions to deliver affordable loans effectively and support successful models such as Save As You Borrow (SAYB).

Another gap is the limited resources for providing financial counselling through multiple channels. The advice sector is overstretched and largely reactive. Equipping credit unions with resources to offer proactive financial counselling and coaching could help prevent crises before they occur.

4. **What barriers prevent people in financially vulnerable circumstances from accessing or benefiting from current support?**

The barriers preventing people in financially vulnerable circumstances from accessing or benefiting from current support are varied, from structural, behavioural and informational.

- **Digital Exclusion** – while technology is a key part of the solution, it is also a barrier for many individuals. 1.6m people in the UK do not have a smartphone, tablet or laptop, and around a quarter of the UK population have the lowest level of digital capability and struggle to use online services[9].

- **Financial Exclusion** – Financial exclusion acts as both a structural and behavioural barrier: it restricts access to products and support, reduces financial confidence, and can reinforce cycles of vulnerability. Overcoming it requires trusted, inclusive channels such as credit unions, community banks, or outreach programmes tailored to those outside the mainstream financial system.

- **Fragmented financial education and support** – In the 2022 Children and Young People's Financial Wellbeing Survey by MaPS[10] it highlighted that only 47% of children have received a meaningful financial education, with more than 1 in 5 young people aged 14 to 17 reporting to feel anxious when thinking about money, and only 1% of UK teachers have received specific training to deliver financial education. We acknowledge that the lack of

[9] Digital Inclusion Action Plan: First Steps - GOV.UK
[10] UK Children and Young People's Financial Wellbeing Survey: Financial Foundations | Money and Pensions Service

financial education is not only relevant to children and young people, but to all age groups in society.

- **Limited trust in providers** – People may distrust formal financial institutions due to past negative experience or a sense that certain financial institutions do not understand their needs. Trusted, community-based organisations, like credit unions, are often more effective in bridging this trust gap.

- **Behavioural and psychological barriers** – Short-term pressures and financial stress can lead to procrastination, avoidance or reliance on high-cost credit. Lack of confidence or financial literacy can prevent people from taking steps, even when they are aware of support. Individuals can also feel shame, stigma or fear of judgement, which can prevent them from seeking help.

- **Lack of awareness or understanding** – Many are unaware of available services such as benefits, savings schemes or financial advice. Also, the complexity of financial products, jargon or eligibility rules can make it difficult for people to understand.

- **Rural Isolation –** Many rural areas lack nearby bank branches, credit unions or advice centres, making it harder to access in-person support. Rural communities may experience poorer broadband connectivity, limited mobile coverage, or fewer opportunities to develop digital literacy. This reduces access to online financial tools, benefit calculators or digital banking, which underpins financial capability programmes. People living in rural areas are also compounded by financial stress due to higher costs associated with rural living, e.g. higher transportation costs, limited local employment, and fewer credit options, which can all increase financial vulnerability. Rural isolation amplifies structural and behavioural barriers by reducing access, limiting digital engagement, restricting awareness, and compounding financial pressures. Solutions often require trusted, locally embedded organisations, flexible digital access, and targeted outreach strategies.

- **'One size fits all' approach** – The "one size fits all" approach can be a significant barrier to financially vulnerable individuals because it fails to account for the diverse needs, circumstances, and behaviours of different groups. This approach limits the accessibility, relevance, and effectiveness of financial support. Tailored, flexible, and context-aware interventions are essential to reach financially vulnerable populations and build financial capability effectively.

In summary, people in financially vulnerable circumstances often face overlapping barriers: lack of awareness, distrust, accessibility issues, behavioural challenges, limited resources, restrictive eligibility, and psychosocial factors. Addressing these requires trusted, accessible, and proactive interventions, such as credit union-led programmes, simplified benefits tools, and behavioural approaches like SAYB or prize-linked savings.

Collaboration: de-segmenting and joining up support

Fragmented support is a significant barrier for people in financially vulnerable circumstances from accessing or benefiting from the current available support.

Money and Mental Health Policy Institute emphasises the importance of access to affordable credit through credit unions as a way to prevent individuals from turning to high-cost credit options. Addressing gaps in financial provision can be achieved through collaboration with key organisations such as the Money and Mental Health Policy Institute. This partnership can help signpost and improve access for people with mental health challenges, ultimately supporting financial capability.

Credit unions play a crucial role in promoting financial inclusion. Key findings from the Money and Mental Health Policy Institute highlight that exclusion is often ingrained in financial journeys. To improve financial capability, it is essential to reduce the segmentation of support for individuals, particularly those dealing with mental health issues. Utilising established models and delivery methods, such as those employed by credit unions, can aid in providing effective support – sufficient support for scalability of successful models, such as SAYB, would have a

significant benefit for groups such as those with mental health problems, as financial vulnerability and mental health are intersectional challenges, amongst others.

The Money and Mental Health Policy Institute is an example of a source of expertise which credit unions could utilise to enhance their digital member journeys in order to optimise their support for those in vulnerable circumstances. However, many credit unions lack the financial resources to fund this expertise in the way that MMHPI and others would for large financial institutions. Therefore, we believe there are opportunities to build on the reach and trust that credit unions enjoy by helping them to access the expertise of agencies such as MMHPI to optimise their digital services.

5. **Are there any particular demographics or geographic areas that are not currently being reached or supported effectively?**

Community Development Credit Union[11] (CDCU) data has conclusively proved that the financially vulnerable and low- and moderate-income people and communities form the majority of the Pathfinder Credit Union's member base. An increase in support will allow credit unions to further reach the financially vulnerable and excluded members of society. As a result, credit unions are well-positioned to be vehicles to offer wider support to key demographics that are currently not being reached or supported effectively.

a. How could existing effective initiatives, services or approaches be strengthened or scaled to address these gaps?

Existing credit union interventions and support can be in the following ways:

- **Increased scale of credit union school savings clubs** – Scale up credit union school savings clubs by providing schools with the necessary resources, including digital tools, gamification features, and online "Junior Saver" portals, and by linking activities to national initiatives such as Talk Money Week.

[11] CDCU Whitepaper

- **Increased scale of SAYB** – Scaling SAYB could be achieved in several ways, including default enrolment, making saving the default option unless the member opts out, for those finance institutions that do not implement SAYB currently. Another way to use behavioural insights to drive SAYB is by goal framing – showing members how much they will have saved by the end of the loan term and using positive reinforcements by celebrating savings milestones**.**

- **Increased number of Payroll partnerships** – ABCUL previously launched a nationwide campaign called "Work Not Worry". This campaign raised the awareness of the benefits for employers to partner with credit unions in offering their staff payroll membership. A similar campaign backed by various stakeholders, including DBT, HMRC, and FCA, could be impactful in increasing the number of partnerships. There is a commitment to such a campaign included in the Financial Inclusion Strategy, and ABCUL is keen to support this promotion of payroll savings. We are also keen to see legislation brought forward to support the provision of opt-out payroll savings, as supported by Nest Insight's research, by progressive employers seeking to boost their workforce's financial capability.

- **Broader participation in Banking Hubs** - Further utilising credit unions' trusted position within communities to provide financial wellbeing, resilience and capability education, ensuring that the physical and visible presence of credit unions in communities is ensured, e.g. physical branches. With the government's mission to roll out 350 banking hubs, there could be an opportunity for collaborative working amongst credit unions to be involved within their local areas if the funding were available in order to join Cash Access UK's scheme as a member.

- **Central point of resources** - Currently, credit unions are individually having to source and roll out financial education in a variety of formats; there could be an opportunity for a central resource that could be offered to credit unions. Similar to the National Credit Union Administration's (NCUA) ACCESS[12] initiative, which provides resources to assist credit unions with their outreach strategies. These resources include educational webinars, conferences,

[12] Advancing Communities Through Credit, Education, Stability, and Support

access to resources, and identification of grants and other financial resources to support the development and implementation of financial products and services to assist members experiencing financial hardship.

7. What solutions, delivery models or partnerships could effectively close these gaps?

- Significant opportunity for credit union partnership with fintechs to provide further financial capability, and to digitise informal support from credit unions.
- Equip credit union staff and volunteers with training to signpost to support and continue to provide informal money advice.
- Help to Save scheme to include credit unions – Involving credit unions within the Help to Save Scheme would provide scalability to this existing initiative. Currently, the scheme being facilitated through NS&I has not received the desired uptake – having credit unions provide this offering at a local and trusted level would allow individuals to build their financial capability and resilience by participating in the scheme. It would also provide more engagement opportunities to facilitate financial education to a wider demographic.

8. Are there key life moments or service touchpoints when offering financial capability support is especially effective?

There are key life moments and service touchpoints when financial capability support can be most effective, including:

- **Starting work or an apprenticeship** - Individuals manage a regular income for the first time and make new decisions about pay, tax, budgeting, and saving. Support such as payroll savings schemes, workplace financial wellbeing sessions, and guidance on payslips, tax codes, and pensions can build confidence early.
- **Moving home or starting a tenancy** - Taking on new responsibilities like rent, utilities, and council tax increases financial pressure. Training on budgeting, priority bills, credit checks, and tenancy agreements helps prevent arrears and encourages saving for unexpected costs.

- **Getting married or starting a family** - Shifts to joint finances and childcare costs create new financial priorities. Joint budgeting tools, benefit and parental leave information, and family saving guidance can support good decision-making.
- **Approaching retirement or redundancy** - Changing income levels and complex pension decisions require targeted guidance. Budgeting tools, pension support, and scam awareness help individuals plan confidently for later life.
- **Experiencing health or life shocks** - Illness, disability, bereavement, or relationship breakdowns often cause financial strain. Integrated money guidance, signposting to benefits and grants, and access to debt advice can provide vital stability and reassurance.

Credit unions also have key service touchpoints where financial capability support can make a real difference, for example, when members apply for loans to consolidate debt or cover household expenses. These moments offer opportunities to assess financial capability and provide tailored tools or guidance to build long-term resilience.

9. What innovative or technological solutions could enhance financial capability in the near-to medium term?

Please see our response to question 1.

10. Are there approaches from other sectors or contexts that could be adapted or scaled?

Please see our response to question 1.

11. What level and type of resource would be needed to deliver these financial capability solutions effectively and ensure long-term impact?

Financial capability is an intractable and pernicious issue related to economic deprivation and poverty, as well as levels of educational attainment. Very significant resources to transform delivery would be required to deliver long-term impact.

For credit unions, supporting access expertise and capital investment in digital technology with a focus on sustainable solutions which deliver economic value to the credit union through increased savings or enhanced repayment rates on loans is likely to deliver the most impact in the long run.

12. What are the opportunities to ensure interventions are sustainable, and what ongoing funding and support would be required over the long term?

Long-term sustainability depends on delivering value-driven solutions rather than purely cost-based approaches. These solutions should demonstrate measurable improvements in individuals' financial well-being while also creating value for the financial institution.

13. Are there any risks, dependencies, or policy factors we should be aware of?

There are a number of risks and dependencies that are associated with any proposals to help improve financial capability, some of which we have already touched on previously in our response to question 4. With digital exclusion being the primary risk, as statistics show, the most vulnerable population in society has low digital skills or no access to digital services at all.
The other key risk and dependencies are with key stakeholders in order to deliver and support the initiatives over the long term.

14. What other emerging trends or new evidence should we consider in developing this work?

Utilising AI to offer more personalised and real-time support to individuals, from budgeting, payment reminders, and providing "nudge" based encouragement to continue saving and expanding their financial capability.

Please contact us at advocacy@abcul.org if you have any questions about our response to your consultation.

Kind regards,

Association of British Credit Unions Limited

Achieving more **together**

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