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CITY OF LONDON

Gresham Lecture

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The Rt Hon The Lord Mayor of London
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In the UK today, around half of working-age adults have the numeracy level expected of a primary school child.

As a nation, we're unphased - or even amused - when people pronounce themselves "hopeless at maths".

But it's no laughing matter. Because, at the same time, a quarter of adults have less than £100 in savings. And half of people don't feel confident managing their money day-to-day.

Poor financial ability is just one of the issues facing the 12.9 million adults with "low financial resilience".

A term that covers the "unsteady starters" renting rooms and working zero-hours contracts, right up to those in their "(un)golden years", who have stable, but low, pension incomes.

The nation's productivity is affected because people's disposable income isn't rising. Nor are they able to save adequately for a comfortable retirement.

Across the UK, people in vulnerable financial circumstances are finding themselves shut out from mainstream financial services - like credit and insurance - that could help them weather the storm.

For example, when the washing machine breaks down, they can't just buy a new one. Forced to turn, instead, to a rent-to-own company and pay twice the retail price. Typical of the "poverty premium".

To paraphrase the theory of socioeconomic unfairness set out in Terry Pratchett's 1993 novel "Men at Arms": the rich stay rich because they can afford to buy one good pair of boots. The poor stay poor because they must buy several bad pairs. And they still end up with wet feet.

Numeracy, financial literacy and financial inclusion are the building blocks for a fairer society. They help people make sense of their money...plan for the future...manage unexpected shocks...and get on in life.

In 2023, too many people are being held back because they lack these basic skills and access. And efforts to tackle the nation's widening wealth gap are made that much harder.

The UK financial services sector is, arguably, the best in the world. I believe we have a duty to use our experience, our expertise and our resources to support the most vulnerable in society...and ensure everyone benefits from the Square Mile's success.

Today, I'll explore the role the City can play in improving numeracy, financial education and access to finance.

These issues are related, but distinct...so, I'd like to address each in turn: beginning with numeracy.

Numeracy

There's a false assumption that maths starts and stops in the classroom - and, anyway, we all have calculators on our phones, don't we?

But the ability to understand and work with numbers is fundamental to the fabric of our lives.

We begin to gain an early sense of numeracy in babyhood...developing a sense of space, shape and measure as we explore the world around us.

When you estimate the distance of the car in front of you while driving, when you put together flat pack furniture, when you fill your shopping basket - you're using numeracy skills.

Home to the world's biggest Foreign Exchange and Derivatives Markets, the global HQs of leading financial firms and so much more, the City runs on numbers.

Yet, the UK's numeracy levels are significantly below average for the OECD, and well behind leading countries such as Finland and Japan: a figure that should shock and shame us.

A lack of basic numeracy skills is preventing people across the nation from reaching their potential in work and life. And it's also a huge barrier to learning more about their finances.

If someone has never learnt how a percentage works, how can they be expected to understand interest rates or compound annual growth rates - the most important concept in finance?

Many people think maths ability is fixed...but that's simply not true.

That's why my charity, the Lord Mayor's Appeal, has partnered with National Numeracy, represented today by vice chair Andy Haldane…which seeks to foster a culture where people of all ages feel comfortable trying to improve their numeracy skills.

Research has shown that workers with low numeracy earn around 6.5% less than if they had a grasp of the basics. And one in four people would be deterred from applying for a job if handling numbers was a requirement.

Through its "Every Londoner Counts" initiative, National Numeracy is helping Londoners build their maths ability through a network of 500 newly-trained "Numeracy Champions".

The charity also offers a free skill-building tool: "National Numeracy Challenge".

National Numeracy's work is so important because we know poor numeracy skills are hampering groups who're already at a disadvantage.

Research shows women are twice as anxious as men about maths. And while 45% of men only have the numeracy level expected of an 11-year-old, that rises to 63% of women.

We also know numeracy skills are weakest in regions where incomes are lowest. And the North East, West Midlands, and Yorkshire and the Humber all have a higher proportion of working-age adults with lower numeracy skills than the rest of the UK.

The government has set out a vision for a more productive, prosperous country where everyone can succeed. Which the City Corporation wholeheartedly supports.

But it's clear that, unless we pull together to improve basic numeracy levels, "levelling up" will remain just that: a vision.

Financial literacy

Now, let's look at financial literacy.

Good numeracy skills and financial literacy go hand-in-hand. And people need both to be able to make sense of an increasingly complex and pressurised financial landscape.

Let me be clear: by financial literacy, I don't mean financial expertise. What I'm talking about is a basic understanding of financial concepts, like budgeting, which set an individual up to manage their money and avoid financial abuse.

Research from the Centre for Social Justice found nearly half of adults who've experienced financial hardship think low money management skills played a role, and their situation would improve with more financial education.

So, what's being done in response to that clear call to action?

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While research shows children's money habits are formed as early as age seven, financial education is absent from the primary curriculum.

It was introduced to the secondary curriculum in 2014. But low confidence among teachers in delivering the topic...lack of resources...packed PSHE lessons...and the absence of formal assessment means many teens are still leaving school without a quality financial education.

A recent study found that the kids aren't alright with that. An encouraging 72% of pupils want to learn more about money - rising to 85% among 17- to 18-year-olds.

The Financial Times' Financial Literacy and Inclusion Campaign - represented today by Patrick Jenkins - wants to make learning how to manage your money as common as learning to ride a bike.

Supported by funding from the City Corporation, FLIC has developed a financial education programme that'll be piloted in the City of London Academy Shoreditch Park in a few weeks.

The hope is that - by focusing on training teachers - FLIC will embed financial education in the curriculum and create a model that can be replicated across the country.

Initiatives like this are so important because the TikTok generation is entering a more sophisticated, dangerous world.

Around 55,000 children aged 11-16 are estimated to be problem gamblers. Meanwhile, the Children's Society reports that more and more young people are being financially exploited online.

The cost-of-living crisis provides further impetus for improved financial education.

In January 2022, a pint of milk cost 46p. In December, it was 69p - a 50% increase, and just one example of how prices have rocketed.

More than 150,000 people turned to Citizens Advice for crisis support for the first time last year.

And one in three people would struggle to find an extra £20 a month if they needed to: the cost of a new school blazer.

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Could financial education help people feel less hopeless?

And would you want your child or grandchild to enter a financial climate like this without a basic grasp of money matters?

These are important questions to ask ourselves. Not least because of the very real impact financial hardship can have on people's health.

Children living in poverty are more likely to suffer from chronic diseases, and three times more likely to suffer from a mental health problem. And the more debt people have the more likely they are to have a mental disorder.

The Lord Mayor's Appeal is proud to have partnered with MQ Mental Health Research… which is investigating the impact of the cost-of-living crisis on the nation's mental health and will produce evidence-based recommendations on how we can support the most vulnerable.

I'm interested to see if that work confirms what feels intuitive: that building financial literacy could help boost people's financial and mental resilience...

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I know the government recognises the need for improved financial education. And I'm pleased to see local authorities benefitting from its £560m Multiply scheme to improve adult numeracy.

But, clearly, more support is needed for secondary teachers to deliver statutory financial education.

The Prime Minister's commitment to extending maths education to 18 is to be welcomed. Though, I'm sure I'm not alone in wondering how this is compatible with the shortage of qualified maths teachers.

I hope this policy doesn't lead to more maths for math's sake...but instead focuses on practical lessons that will prepare teens for the real world.

Employers also have a role to play...and, at the World Economic Forum, I was pleased to take part in the launch of "Make Time for Money Week", which asks employers to "donate" four hours for employees to focus on improving their financial health.

I know there's a lot of activity concentrated in certain areas - for example, Tower Hamlets …and we could learn a lot from pooling the findings of different groups operating in one space.

For example, local charity "the Switch" works with business volunteers to deliver employability skills to students - including the Abacus family financial literacy project, in partnership with Lloyd's Community Programme.

There are lots of great initiatives being pioneered by our financial services companies. But how can we shape change on a large scale?

Financial inclusion

So, to financial inclusion.

Of course, we know education alone won't pull families out of debt. And the cost-of-living crisis also exposes gaping holes within the financial services system for useful, affordable products, services and advice.

For people experiencing financial hardship, the best deal available is often a bad deal.

Demand for unregulated "buy now, pay later" loans has soared. I even saw one BNPL company promoting purchasing a burger in instalments. Meanwhile, energy regulator Ofgem had to intervene earlier this month to stop energy companies installing more costly pre-payment meters in the homes of vulnerable people.

As CEO of Fair4All Finance Sacha Romanovitch...who's with us today...has pointed out: Our financial system is designed around people with "predictable" lives and incomes.

But in 2023 Britain, how many fit that description...cost-of-living crisis or no?

For example, a direct debit is incredibly helpful for someone on a fixed wage, but incredibly hazardous for someone on a zero-hours contract.

Fair4All Finance is one of the organisations trying to broaden access to financial services. Their "No-Interest Loans Scheme" has already allowed participants in Manchester to buy new white goods to keep their family running.

Elsewhere, Fair for You have teamed up with Iceland to launch a Food Club that gives parents small amounts of credit during the expensive school holiday period.

The government's Help to Save scheme, which gives low-earners a savings boost, reached 359,000 sign-ups in March.

Meanwhile, the Financial Services and Markets Bill will legislate for access to cash and allow all-important credit unions to offer a wider range of products and services to their 1.4 million members.

This is all excellent work. But, as Europe's premier financial hub, the Square Mile needs to develop the financial solutions needed for this more variable, volatile world.

Business is driven by its financial purpose, yes...but also, increasingly, by its social responsibility and an awareness of the role the private sector plays in stimulating economic growth.

As a global representative for the UK FPS sector, I want to encourage businesses to look again at their offer and consider:

Firstly, how they can help people cope with the immediate cost-of-living challenge, through measures like debt repayment deferrals.

And, secondly, how they can ensure everyone in society is aware of, understands, and can access products and services to help them manage their money, long-term.

We're seeing some great initiatives in areas like banking, fintech and insurance - a few of which I want to talk about today, while highlighting scope for further action.

Banking

Looking at banking…

In the UK today, around 1.2 million people are “unbanked” - which means they don’t have access to financial services.

For some, that’s a choice. But many people are unaware of the availability of basic bank accounts, designed for those with poor credit scores...or, otherwise, find them hard to access.

The pandemic didn’t lead to the “tsunami” of non-performing loans that was predicted...but, then again, are banks servicing households in the bottom 20%?

Of course, I’m not suggesting that the credit risk posed by less financially resilient clients can or should be ignored. But, there’s an argument for that risk to be priced into banks’ overall offer to clients, so we can share the cost across the whole portfolio and bring people on the edges of society into the banking system.

In 2019, the FCA stepped in to stop banks from charging higher prices for unarranged overdrafts. But there’s a long way to go to democratise the banking system.

Research by the FT and Ipsos Mori found that barely half of respondents were able to correctly compare the costs of borrowing via credit cards or bank overdrafts - regardless of wealth or gender.

Alongside improved communication, more must be done to fill the “financial advice gap” between those who can get financial advice, and those who want but cannot afford it.

73% of advisers think that gap has worsened over the past five years...and nearly all those surveyed think technology is crucial to bridging it.

I’d like to see a “mark-to-market” analysis of where we stand in relation to other countries that have had to tackle these issues.

In a push for inclusion, in 2014 the Reserve Bank of India directed banks to allow people to open a savings account with a single photo ID. As of January 2021, 417 million bank accounts have been opened under the scheme.

Greater use of digital tech could help deliver a fairer, more sustainable marketplace - but, this won't come without cost, which would probably need to be borne by our banking system.

Fintech

Now, let's consider fintech.

Research shows that there is a positive correlation between fintech and financial inclusion, and that fintech can help narrow class and regional divides. Fintech can help customers shop around for deals, spread costs and get cheaper access to credit.

Money management apps such as Snoop, Moneyhub and Emma allow users to see all their finances in one place, track their spending and create budgeting goals. And the Wagestream app helps consumers make emergency purchases by letting them access their wages at any point in the month.

Insurance / pensions

On insurance, the Financial Conduct Authority has stepped in to stop existing customers being charged more than new customers when they renew their motor and home insurance.

The ABI is also doing great work to broaden access - including launching "Mental Health Standards" to help those with a history of mental ill health get insured.

In pensions, autoenrollment has increased the number of policy holders by 10 million in 10 years. But businesses with fewer than five employees and the self-employed are excluded from the system.

Common platforms for this segment of the population can solve these problems…but it requires more cooperation and bigger vision from FPS firms.

Summit

Clearly, it will require a group effort to turn the dial on numeracy, financial literacy and inclusion.

As Lord Mayor, I see it as my responsibility to use the City's unique convening power to unite those different groups and come up with a coordinated plan for further action.

On 12 April, I will bring academics, charities, businesses, regulators and politicians together for the first Financial Literacy and Inclusion Summit at Mansion House.

The Summit seeks to establish what "best practice" looks like, identify where there are gaps or weaknesses, and - most importantly - map out our next steps.

Conclusion

The City of London receives its fair share of scrutiny. But it has been - and can be - a tremendous force for good.

Organisations like the ones our panellists represent are doing fantastic work...but the Square Mile must pull its weight.

There's a clear incentive for us - as manufacturers of financial services - to ensure our customers are better served and informed. It's the responsible way to Finance our Future.

If we come together, we can create a more resilient, more equal society, where people have the skills and support they need to manage their money and reach their true potential. Thank you.