

## Money Advice and Budgeting Service (MABS)

The Department of Education and the Department of Children, Equality, Disability, Integration and Youth's Literacy, Numeracy and Digital Literacy Strategy Consultation

3 February 2023

### Introduction

The Money Advice and Budgeting Service (MABS)<sup>1</sup> fully endorses the ambitions of the Irish Government as outlined in the Literacy, Numeracy and Digital Literacy Discussion Paper issued by the Department of Education and the Department of Children, Equality, Disability, Integration and Youth:

'The Government of Ireland has an ambition that every child and young person in Ireland should have the necessary literacy, numeracy and digital literacy skills to fully participate in society. These skills are crucial to a person's ability to develop fully as an individual, to live a satisfying and rewarding life and to participate fully in our society' (2).<sup>2</sup>

MABS posits that strong financial literacy, as an imperative component of personal development, is vital to ensure the achievement of this goal. In this briefing document, we outline the rationale behind the importance of ensuring that a holistic and practical understanding of 'financial literacy' is incorporated into the new Literacy for Life Strategy.

We recognise reference to 'financial literacy', including 'functional' activities such as budgeting and online banking, in the 10-year Adult Literacy for Life Strategy<sup>3</sup> adopted in July 2021. We would argue that the public resourcing of financial literacy and digital literacy from early childhood into adulthood is necessary in order to ensure that everyone, in particular members of marginalised and economically disadvantaged groups, across all of Irish society

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<sup>1</sup> Established in 1992, MABS helps persons to cope with personal debt and take control of their own financial wellbeing. It is a free, confidential and independent service that operates from over 60 offices nationwide. The MABS service is funded and supported by the Citizens Information Board. There are currently 10 Companies in the MABS network – 8 Regional Companies (North Dublin MABS, Dublin South MABS, North Connacht & Ulster MABS, North Leinster MABS, North Munster MABS, South Connacht MABS, South Leinster MABS and South Munster MABS), National Traveller MABS and MABS Support CLG.

<sup>2</sup> [Discussion Paper for LNDL Strategy Consultation 2023 FINAL \(1\) - 39587b6e-0f9a-4c6c-ab45-d04e2feb80cf.pdf](https://www.gov.ie/discussion-paper-for-lndl-strategy-consultation-2023-final-1-39587b6e-0f9a-4c6c-ab45-d04e2feb80cf.pdf) ([www.gov.ie](https://www.gov.ie))

<sup>3</sup> [15607\\_all\\_strategy\\_web.pdf](https://www.gov.ie/15607_all_strategy_web.pdf) ([adultliteracyforlife.ie](https://adultliteracyforlife.ie)) CIB made a written submission to this 10-year Strategy.

learn the necessary financial skills, knowledge and behaviours to participate fully in society. We therefore make the following core recommendations in this consultation:

1. The inclusion of a holistic definition of ‘financial literacy’ in the new Literacy for Life Strategy, consistent with international best practice.
2. The Strategy include provisions towards the expansion of Irish primary and secondary education to feature compulsory subjects in financial education.
3. The Strategy supports the allocation of specific resources to support the implementation of the joint EU/OECD Financial Competency Framework for Adults in the European Union,<sup>4</sup> as well as the forthcoming Framework for Young People (expected in 2023).<sup>5</sup>

### **Definition of ‘financial literacy’**

According to the National Adult Literacy Agency (NALA), ‘financial literacy is the ability to understand how money works: how you make, manage and spend it.’<sup>6</sup> A true understanding of financial literacy goes beyond simply basic money and knowledge, but extends to include personal behaviours, money management skills and understanding the resources and supports that are available when facing financial difficulties.

Related terms such as ‘financial inclusion’, ‘financial capability’, ‘financial competencies’, ‘financial wellbeing’, and ‘financial resilience’ are also important, as they relate to not only individual actions, but the suite of resources and contextual factors that are imperative in order to support the development of financial literacy skills for all members of society.

### **Financial literacy in Ireland**

When compared to other countries across Europe, Ireland has higher levels of its population with unmet financial literacy needs.<sup>7</sup> We are also an outlier in so far that Ireland lacks a national financial inclusion or literacy strategy, and there is a lack of universal implementation of financial literacy in youth education systems and schools.

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<sup>4</sup> [Financial competence framework for adults in the European Union \(oecd.org\)](https://www.oecd.org/financial/education/financial-competence-framework-for-adults-in-the-eu-launch.htm)

<sup>5</sup> For more information, see: <https://www.oecd.org/financial/education/financial-competence-framework-for-adults-in-the-eu-launch.htm> “In parallel, the Commission and the OECD/INFE, in cooperation with Member States, will start work on a joint EU/OECD-INFE financial competence framework for children and youth, which is expected to be finalised in 2023.”

<sup>6</sup> <http://www.nala.ie/financial-literacy/>

<sup>7</sup> <https://www.cso.ie/en/media/csoie/releasespublications/documents/education/2012/piaac2012.pdf>

While individual organisations, such as ourselves at MABS as well as the Competition and Consumer Protection Commission (CCPC), have a public mandate in money management education and support the development of learning materials for persons of all ages, these resources are limited and not extended to all. Financial education is not a compulsory subject across all of Irish education, as it is in many other countries, including England, Denmark and Norway.

In 2022, MABS issued a survey with 1400 young people (aged 12-20) around Ireland who took part in 'Global Money Week', an international initiative supported by the United Nations.<sup>8</sup> The goal of the survey was to discern the various attitudes and behaviours of young persons living in Ireland concerning money and personal finance. Some key findings of the survey include the fact that the vast majority (96%) of young people report that they feel it is important to talk about money. Young people are engaging with personal financial services from an early age, with mobile apps and social media playing a key role in this engagement. 40% of the survey participants are learning about money via social media, and 61% are using a mobile phone/app to keep track of their money.

We posit that such research demonstrates the importance of early engagement with young people on money matters, so they can, for example, critically and meaningfully engage with material they are viewing online and in social media contexts.

Research has shown that the earlier people learn about financial matters, the less likely they are to be struggling later in life. For instance, a 2018 study on financial capability in Ireland published by the CCPC<sup>9</sup> found that, of those populations who are financially 'secure', 75% report speaking to their parents about money issues when growing up and 60% learned about money matters in school and college. In contrast, those living in Ireland who are 'struggling' financially, only 38% grew up in families that discussed money and 10% received financial education in school.

### **Personal finance and the Irish context**

The Irish context for personal finance has shifted dramatically in recent years, and digital competencies are becoming fundamental to achieve full financial literacy. Skills such as being able to check bank accounts and pay bills online, transfer money digitally and set up direct debits, track spending, access useful budgeting and money management tools and government interfaces (such as Revenue, the CCPC, MyGov.ie, citizensinformation.ie), all require basic digital literacy.

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<sup>8</sup> MABS is the primary national stakeholder in Ireland for Global Money Week.

<sup>9</sup> [Financial Capability and Well-being in Ireland - CCPC Business](#)

The withdrawal of major banks Ulster Bank and KBC and resulting consolidation of the market, the prevalence of FinTech, expansion of lending from non-banking entities, and increasing digitalisation of basic public services,<sup>10</sup> have had a massive impact on Irish consumers. The retail banking sector has been driving their offerings through digital channels and the closure of main street branches during the Covid-19 pandemic serves as a testament to this policy. The sector is consolidating its services into main centres accordingly, with a number of smaller towns around the country now without a branch of any bank. This is of concern to us at MABS as the rapid development of digital-only services further exacerbates the ‘digital divide’ and creating additional vulnerabilities for consumers.

In relation to this ‘digital divide’, reports highlight that an estimated 11% of adults were not using the internet in 2020 – of this cohort 25% are aged 60-74, and more than half (56%) are aged 75 plus.<sup>11</sup> It is important that this group is not left behind in the movement to increase online service delivery for retail banking, and that everyone has access to the resources and support they need. Many MABS clients have reported that they are wary about moving their banking to a digital platform in the main due to the prevalence of scams which will only become more sophisticated in time.

### **Combatting Financial Exclusion**

A major concern we would have at MABS is in relation to financial exclusion. According to the European Commission, ‘financial exclusion’ is defined as the following:

‘A process whereby people encounter difficulties accessing and/or using financial services and products in the mainstream market that are appropriate to their needs and enable them to lead a normal social life in the society in which they belong.’

Particular groups within Irish society are more likely to experience financial exclusion, such as members of the Irish Traveller community,<sup>12</sup> persons with disabilities,<sup>13</sup> and single parents<sup>14</sup>. These groups also experience disproportionate levels of poverty and material deprivation, are less likely to have savings and to hold a bank account. Wider issues of income inadequacy and financial exclusion can result in the following adverse consequences:

- ‘Social exclusion’ due to financial exclusion.
- Dependence on moneylender and high-interest rates for credit access.

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<sup>10</sup> For more on the digitalisation of public services, see: [CIB Digital Exclusion \(citizensinformationboard.ie\)](https://citizensinformationboard.ie/cib-digital-exclusion)

<sup>11</sup> For more on this, see: [International Day of Older Persons - Age is still the biggest indicator of who is digitally excluded | Age Action](#)

<sup>12</sup> [NT MABS Building the Box Equality Report \(V9\).indd](#)

<sup>13</sup> [gov.ie](https://www.gov.ie) - [The Cost of Disability in Ireland – Research Report \(www.gov.ie\)](#)

<sup>14</sup> [Lone Parents at Increased Risk of Poverty – One Family Ireland](#)

- Debt ‘traps’ or borrowing from high cost lenders in order to cover existing debts.
- Fuel and energy poverty as a result of income being diverted elsewhere because of financial exclusion.
- Self-disconnection of energy sources due to income being diverted elsewhere because of financial exclusion.
- Non-availability of credit due to risk-averse practices of lenders such as insistence on the signing of personal guarantees.
- The reliance of Buy Now Pay Later (BNPL) credit provisions.
- The light regulation and increased costs incurred by credit intermediaries, particularly in the areas of car finance, I.T. hardware/software finance, white goods finance, furniture finance to name some of the more prominent areas.

At its core, financial exclusion is a welfare issue, and fundamentally relates to an inability for persons to access the most appropriate financial services and products to meet their basic needs – and therefore processes of marginalisation deepen as a result. As such, it is necessary to link a national Literacy Strategy that factors in financial literacy and financial exclusion to overall government policy set out in its social inclusion strategies. According to the Literacy for Life Consultation paper:

‘[Young people] should leave school with the skills necessary to participate, to the level of their capacity in an inclusive way, in the social and economic activities of society and in order to live independent and fulfilled lives. Children from socially and economically disadvantaged backgrounds are significantly more likely to experience difficulties in literacy, numeracy and digital literacy achievement than other children’ (6).<sup>15</sup>

Resourcing the learning of skills in financial literacy and digital literacy from early childhood into adulthood is an important step towards ultimately combatting broader social and economic inequalities. A holistic and multi-step approach to tackling financial exclusion, involving more than just financial education, but also further regulation and public resource allocation, is required.

## **Conclusion**

A national ‘Financial Inclusion Working Group’, chaired by National Traveller MABS, has been meeting regularly for the past 12 months. This group is interdisciplinary and includes a wide

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<sup>15</sup> [Discussion Paper for LNDL Strategy Consultation 2023 FINAL \(1\) - 39587b6e-0f9a-4c6c-ab45-d04e2feb80cf.pdf \(www.gov.ie\)](https://www.gov.ie/publications/discussion-paper-for-lndl-strategy-consultation-2023-final-1-39587b6e-0f9a-4c6c-ab45-d04e2feb80cf.pdf)

variety of stakeholders, including academics, representatives from the banking sector, credit unions, the education sector, (community & formal education), financial services sector, government departments, CIB, MABS, NALA, charities and NGOs.

The main objectives of the group are as follows:

- To share information knowledge and skills around financial inclusion work
- To work together to better coordinate existing work on financial inclusion in Ireland
- To document existing financial inclusion work and identify the gaps in policy relating to financial inclusion
- To make proposals to address financial inclusion
- To produce research that informs policy and practice on financial inclusion
- To document our work
- To inform a National Strategy on Financial Inclusion

As a member of this group, MABS strives to work towards building stronger public infrastructure in Ireland to support the development of financial literacy initiatives for persons of all ages.

We welcome the opportunity to contribute to this Literacy for Life public consultation, and recognise the important work that is being done in government, including the Adult Literacy for Life 10-year Strategy,<sup>16</sup> as well as across all sectors of Irish society to support the on-going development of literacy, numeracy and digital literacy skills for persons of all ages. MABS support the objective and understanding that all learners should have ‘an opportunity to experience a broad, balanced and fulfilling curriculum that supports all aspects of their development’<sup>17</sup> – and are adamant that financial literacy is crucial to achieving this goal.

We welcome any and all opportunities to work with The Department of Education and the Department of Children, Equality, Disability, Integration and Youth on these issues and recommendations raised or any matter related to the development of the Literacy for Life National Strategy.

To discuss any aspect of this briefing document, please contact:

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<sup>16</sup> [15607\\_all\\_strategy\\_web.pdf \(adultliteracyforlife.ie\)](#)

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