November 2018

Insight
Repay Right

#YSObservatory

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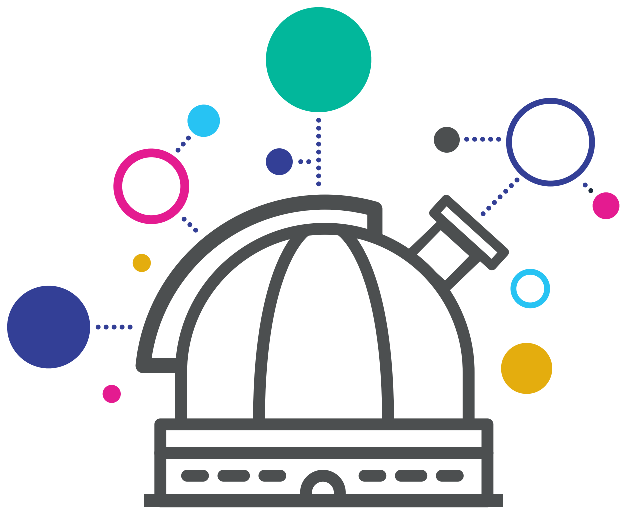

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Executive Summary

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Young Scot delivered a series of workshops on behalf of Carnegie UK Trust to examine young people's perceptions of and use of credit and other financial products. Throughout these workshops Young Scot explored a range of financial products and incentives for young people to make best use of affordable credit.

Through local partners Young Scot established five key groups of young people to work with: Fife Gingerbread Teen Parent Project; Alloa Academy; Link Living and Link Academy; Rathbone Training Centre; and Edinburgh College. The project has been delivered through a bespoke co-design programme through quality, in depth engagement with 53 young people in total, covering 200 volunteer hours.

The participants felt that to allow young people to have better access to affordable credit in Scotland it is important to concentrate on the following key focus areas:

- **Information, Learning and Knowledge:** through schools, experiences of peers and family, and trusted sources of information
- **Understanding Credit:** varieties of credit available, technical terms and T&Cs
- **Consequences, Myths and Actions:** consequences of not managing your money well, credit ratings and scores, and the fear of being in debt

- The word 'credit' itself was seen to be a barrier in allowing young people to make the best use of the affordable credit available to them. Credit ratings were the most common response from young people when responding to questions asking them what they knew about the subject.
- As credit isn't something young people perceived they were taught about in schools, or talked about amongst their family and peers, it is seen as an 'unknown' to most young people.
- This lack of basic knowledge makes it difficult to engage with information, support, advice and services.
- Education was identified throughout all the workshop sessions to be key in setting young people up for the future and allowing them to be confident in themselves and in their decision making.
- Although young people would like to make this a more open and approachable topic of conversation between their friends and family, it was highlighted that information would be more appropriate if it was coming from a trained professional. It was highlighted that information from family and friends was not always correct, if it was something they discussed at all. Support and advice is vital to allow young people to access the right products, in the right way. Gaining knowledge from trusted, informed, individuals around them is a crucial source of information and advice to make informed decisions.
- Youth organisations have an important role to play in preparing young people to be responsible for their own futures and are very much seen as trusted sources of information but also an invaluable support network for young people.
- Although there was an understanding that the long-term impact of managing money responsibly could be vital to achieving personal goals and stability, which were highly valued by the young people, most thought more about day to day concerns.
- The use of complicated language was consistently recognised as an issue by the young people. It was felt that the technical terminology used was to protect companies rather than individuals, and not to inform or advise young people clearly. The fear of being in any sort of debt was an overwhelming influence on the actions and attitudes of the young people involved. Debt was very much seen as a negative and felt like a "life changing" consequence of not managing your money well.
- Digital tools were not brought up as a solution, contrary to what many people might expect, with the variety of information online proving too confusing to navigate when it concerns a topic young people are unfamiliar with. The majority of participants focused on the need for face to face engagement, with a distinct lack in focus or discussion around digital tools playing a part as a solution or method to better understand and engage with credit and financial products.
- The opportunity to speak to someone face to face is vital, someone that will listen to what young people have to say and has the time to give them their full attention. Feeling valued and understood throughout the process of accessing financial products would allow young people to be more confident in their decision making.
- By addressing these areas young people in Scotland can start to understand the landscape of credit and how to manage their money more effectively, as well as being able to have access to the best services and financial products available to them

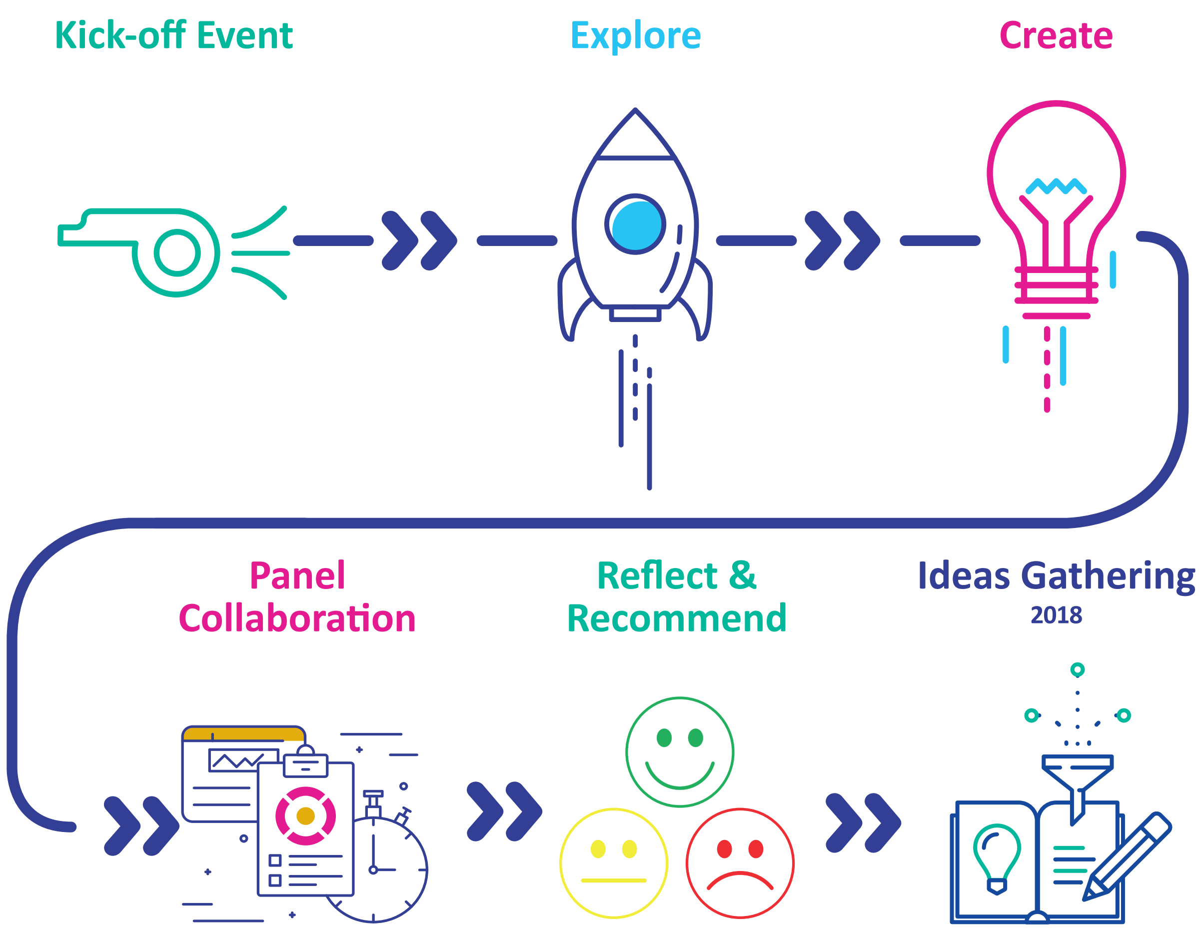
Introduction

Young Scot delivered a series of workshops on behalf of Carnegie UK Trust to examine young people's perceptions of and use of credit and other financial products. Throughout these workshops Young Scot explored the relationship between young people and their money and looked to determine the appropriateness of a range of financial products and incentives that enable young people to make best use of affordable credit.

Supporting young people to co-design insights, ideas and solutions has been shown to have a radical influence upon service innovation, encouraging a more distributed, participatory and decentralised approach to support Scotland to work towards ceding power and responsibility directly to young people.

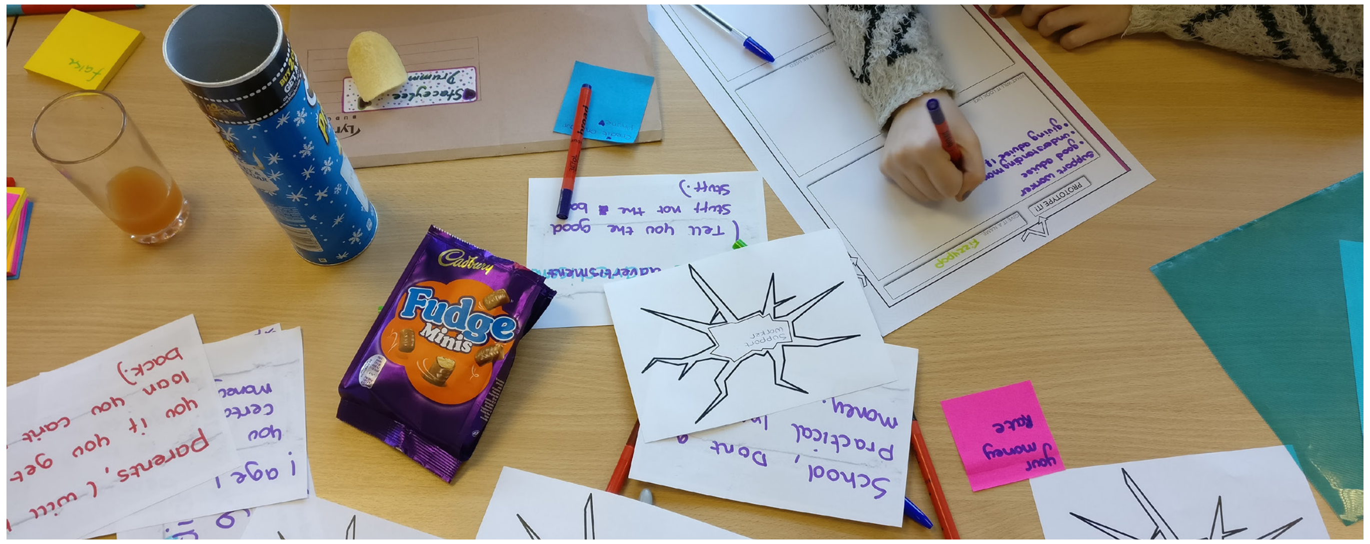
The key aims of this co-design initiative were to understand what young people, predominantly with low incomes and few savings, see as the key, relevant financial products in their lives. The work has been delivered by working in collaboration with several core groups of young people and key partner organisations to gather insights and test attitudes towards a number of financial products and services, and to begin to create and develop appropriate products, services and support for young people from disadvantaged communities.

The project has been delivered through a bespoke co-design programme through quality, depth engagement with 53 young people in total, from five different partner organisations, who contributed 200 volunteer hours.



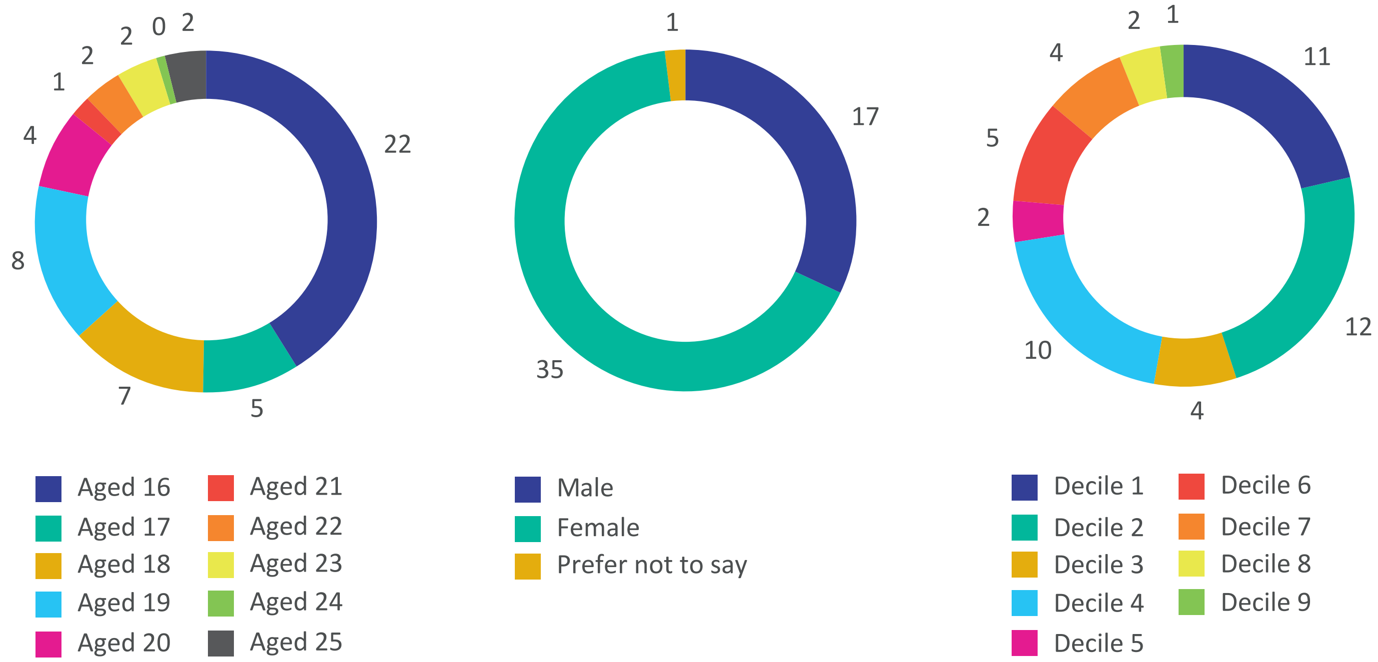
What we did

Through our local partners we established five key groups of young people to work with through a series of workshops, from exploring their experiences and perceptions, through to developing solutions and ideas for change.



Each group was involved with between one and three events, to develop insights and ideas for the variety of experiences represented. This ensured that the interpretation of the findings and identification of the emerging lessons have been tested and validated by young people throughout the process.

Each of the five groups were made up by between 8-16 young people within the 16-25 age range, with representation from a variety of backgrounds, with 47% of young people throughout the project from the most disadvantaged 20% of SIMD data zones.



SIMD (the Scottish Index of Multiple Deprivation) provides a deprivation rank for each of the 6,505 datazones in Scotland. Deciles split up the dataset into 10 groups, each containing 10% of the data, with decile 1 being the lowest 10% of areas of multiple deprivation. The SIMD data collected corelates to the datazone in which the participant resides.

The five partners involved in the workshops were as follows:

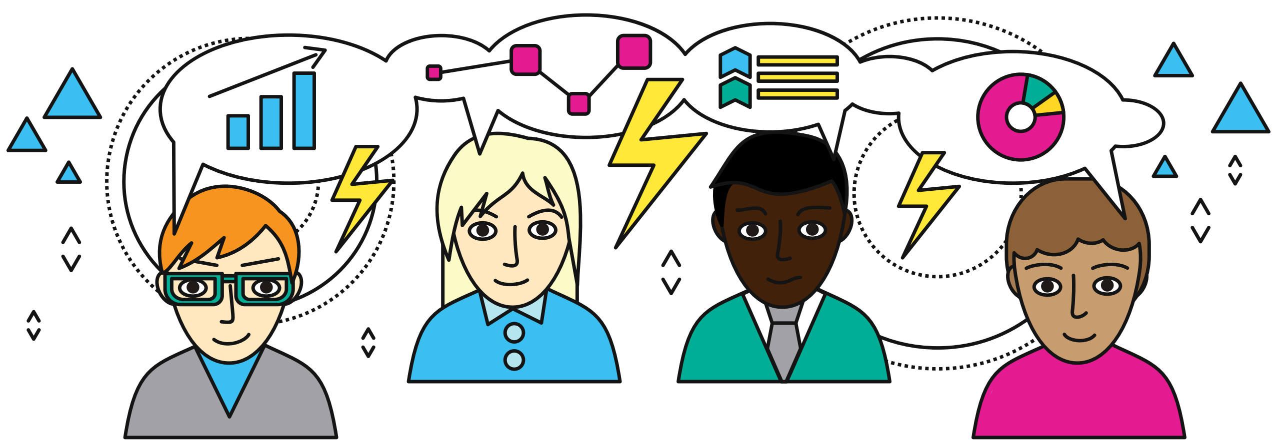
Fife Gingerbread Teen Parent Project
Fife Gingerbread Teen Parent Project provides vital support to teenage parents and pregnant teens no matter their circumstance. Funded by Big Lottery Fund and Fife Council, teen parents are given the tools they require to effectively nurture and interact with their child, giving both the best chance of an improved future. Eight participants from the Teen Parent Project, between the ages of 18 and 19 years old from the Fife local area, were involved in the Repay Right project.

Rathbone Training Centre in Perth
Rathbone Training are a national charity that help young people develop their skills, through in work training and apprenticeships. Rathbone work with young people aged 16 to 17 years old who are unemployed or recent school leavers and 18 to 24-year olds who are unemployed, to help them to earns core skills required for the work place and gains work experience. Eight young people between the ages of 16 and 20 from the local Perth area, participated in the Repay Right project.

Alloa Academy
Alloa Academy is a six-year comprehensive school in Alloa, Clackmannanshire. Two of the local areas in Clackmannanshire are found in the 5% most deprived areas in Scotland. 16 young people in fifth year all aged 16 years old from the Alloa area, participated in the Repay Right project, from a variety of backgrounds and experiences, including looking to apply for universities and colleges, and considering independent living.

Edinburgh College Students
Edinburgh College is a further and higher education institution with campuses in Edinburgh. 10 young people between the ages of 16 and 25 years old participated in the project as part of the 'Access to Study in Health Wellbeing and Social Sciences' course they were studying. Participants came from a variety of backgrounds and experiences, from living independently with dependants to still living at home.

LinkLiving and Link Academy Falkirk
LinkLiving is a not-for-profit organisation and a Scottish charity, providing support, care and employability services in Clackmannanshire, Edinburgh, Falkirk, Fife and North Lanarkshire. They help young people identify their goals and aspirations for the future such as training, future education or a potential career path. Eight young people between the ages of 19 and 23 years old were involved in the Repay Right project from across the Falkirk area.



Each group was involved in an exploration workshop to bring together young people to gather insights on:

- How they manage their money, including if and how they budget
- Their understanding of credit
- Their use of financial products and services.

This included gathering any feedback and attitudes on any existing financial products and services they had experiences of using. Using the insights gathered the young people involved began to create ideas, solutions and prototypes that would make financial products and services more relevant and appropriate to young people's needs.

Following on from the initial workshops, a small group of representatives were brought together to establish and validate the key themes and insights emerging, to be developed further into solutions and ideas for change. Three final workshops were then held with Fife Gingerbread, Alloa Academy and LinkLiving, to form insights and solutions that represent the needs of the young people involved in the project but also relevant for young people across Scotland. The focus of this engagement was on developing recommendations and actions for relevant and appropriate financial products and services for young people.

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Key Priorities and Insights

There were many issues and ideas discussed by the groups throughout the whole process, with clear themes emerging in each of the workshops.

The participants felt that to allow young people to have better access to affordable credit in Scotland it is important that to concentrate on the following key focus areas:

- **Information and Learning:** through schools, experiences of peers and family, and trusted sources of information
- **Understanding Credit:** varieties of credit available, technical terms and T&Cs
- **Consequences, Myths and Actions:** consequences of not managing your money well, credit ratings and scores, and the fear of being in debt

By focusing and addressing these areas young people in Scotland can start to understand the landscape of credit and managing their money and improve their access to the best services and financial products available to them. However, the group realises that this is the first of many steps needed to tackle what may be a long-term issue for many.

Exploring the Topic

To understand the groups' relationships with their money and how well they feel they understand credit, we measured the baseline of their knowledge by asking them to self-assess on three scales, from 1 to 10, with 1 being not at all and 10 being fully.

- How well do you feel you manage your money?
- How much do you think you know about credit?
- How aware are you of the kinds of help and advice available if you are struggling with money?

At Fife Gingerbread, when asked about how well they felt they manage their money, the group identified themselves as between 4 and 6 on the scale. When asked about how much they know about credit, there were some mixed answers but all fitting on the lower end of the scale between 1 and 5, with similar responses when asked about how aware they are of help and advice available. As all the young people in this group were responsible for dependents and wanted to ensure their stability, they were more cautious as a group, but clearly had more experience of accessing products than others of a similar age.

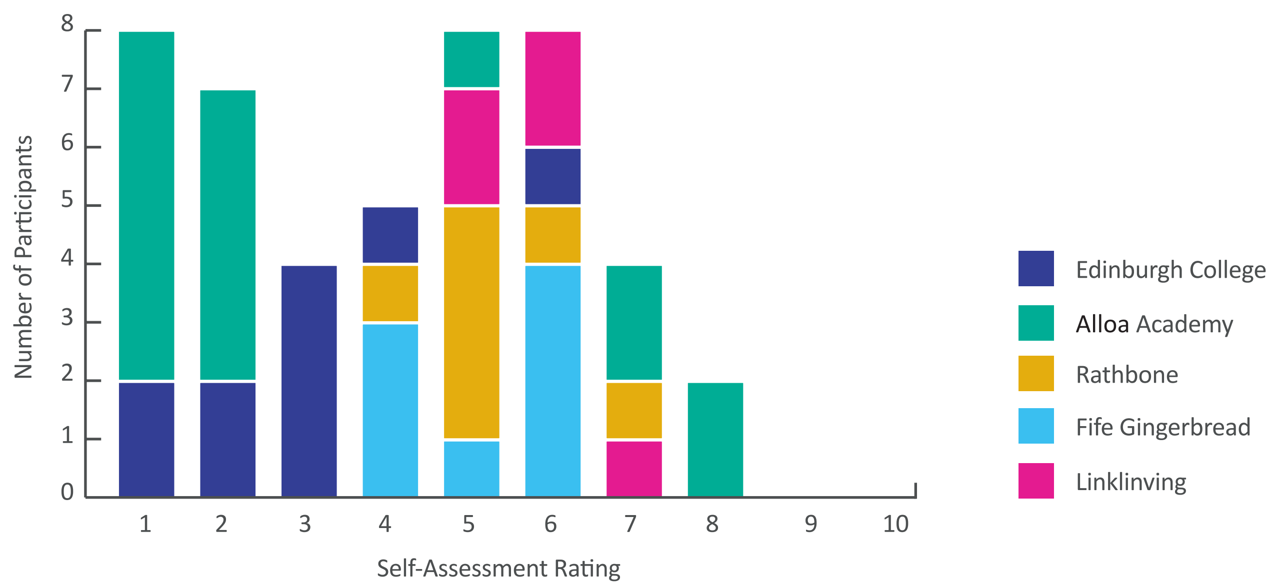
Comparatively, the participants from LinkLiving were a slightly more confident group, feeling that they manage their money a little better, sitting between 5 and 7 on the scale. They were slightly less confident on how much they felt they know about credit, sitting between 3 and 5, but much more confident about where to access help and advice, sitting between 5 and 10. Many of the participants in this group were living independently and had been responsible for their own finances for a few years already, so had a variety of experiences to draw on.

The group of young people at Rathbone were on average sitting between 4 and 7 on how well they felt they managed their money, but knew almost nothing about credit, sitting at 1 to 2. They were slightly more confident, sitting between 3 and 6, on where they could access help and advice if struggling with money, but again still on the lower end of the scale. This group were going through transitions, leaving school, starting to think about future employment or education and moving to living independently, so were beginning to think about how their money management might affect them but on a short-term basis rather than thinking about long-term implications.

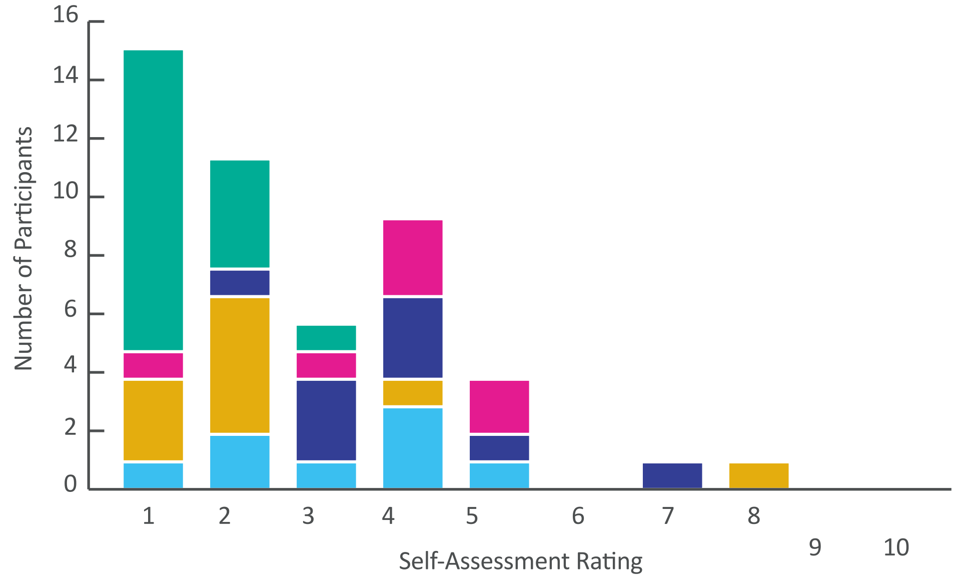
Alloa Academy 5th year pupils, the youngest and biggest group of participants, were the least confident group, sitting between 1 and 2 on how well they felt they manage their money, although there were around four participants that were more confident at 7 or 8. Again they felt they knew almost nothing about credit ahead of the workshop, sitting at 1-2, and knew very little about where to access help and advice between 1 and 3. This lack of confidence in their own knowledge was clearly due to a lack of experience in managing their own money and taking responsibility for their finances, as they all currently lived at home with parents or guardians who managed finances on their behalf.

At Edinburgh College, the young people were the oldest group on average, but lacked confidence in how well they felt they managed their money at 1 to 3. They did feel that they knew a little more about credit, sitting between 3 and 5, and as a group they felt they had some awareness of help and advice available, but on the lower end of the scale between 2 and 4. Due to age and circumstances of living independently and self-sufficiently, this group had the widest range of experiences of financial products and accessing advice.

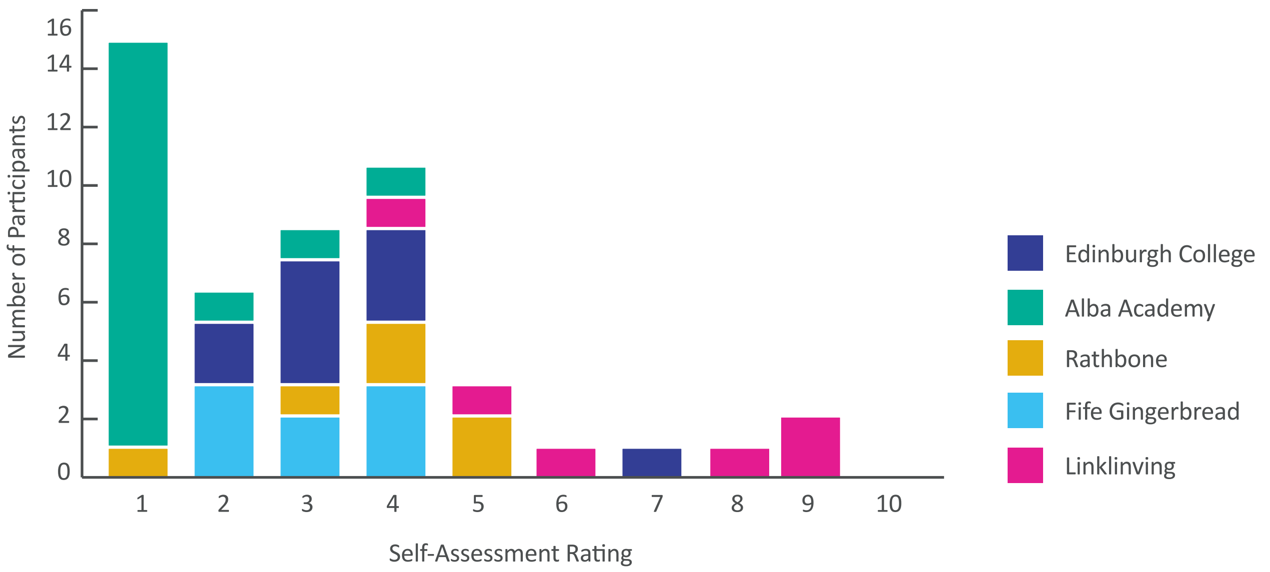
How well do you feel you managed your money?



How much do you think you know about credit?



How aware are you of the kind of help and advice available if you are struggling with money



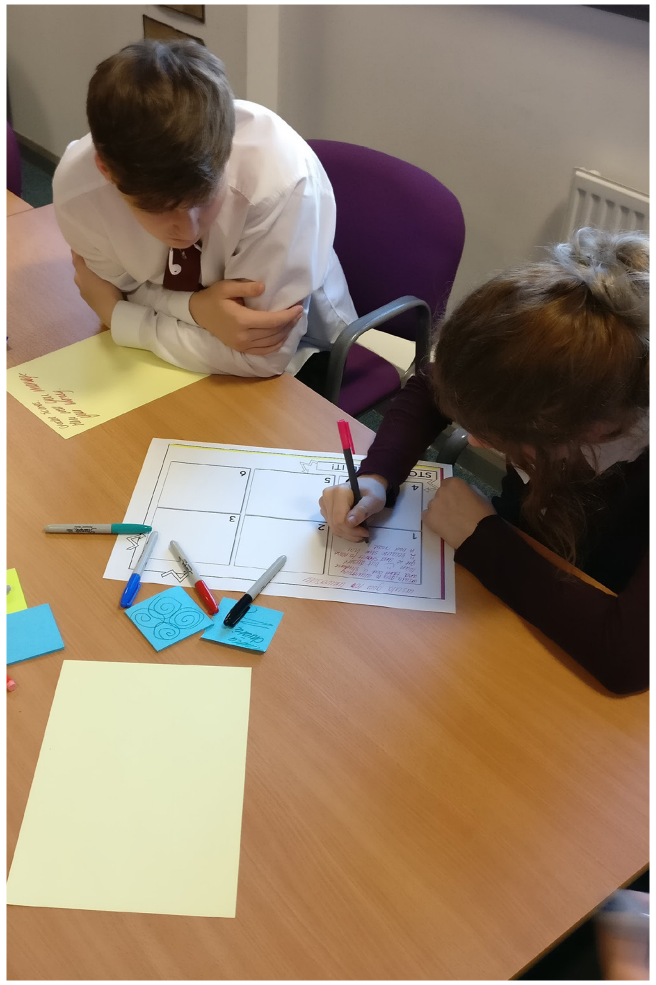
We asked each of the groups to think about what they spend their money on, with very similar results across all five groups, almost all mentioning the following:

- Gas & Electricity
- Council tax
- Food
- Bills
- Clothes
- House / rent /dig money
- Family
- Games
- Drink
- Entertainment - TV, Internet, Music
- Makeup
- Partner

Other areas of expenditure that were mentioned out with the core list included children, phone bills, takeaways and travel.

Following this activity, we asked the participants to think about where they currently borrow money from. This could be as credit from an official source, or from family and friends, on a more casual basis. Almost every participant identified parents or family and the key source of borrowing money, with a few other very similar sources identified across all of the groups ranging from friends and partners, to credit unions and banks.

A few of the participants in each of the groups also identified that they never borrowed money. The reasoning behind this was explored throughout the workshops, varying from still being dependent on their parents, living at home so not having expenses to pay, to the majority expressing a fear of owing money back and wanting to avoid any debt.

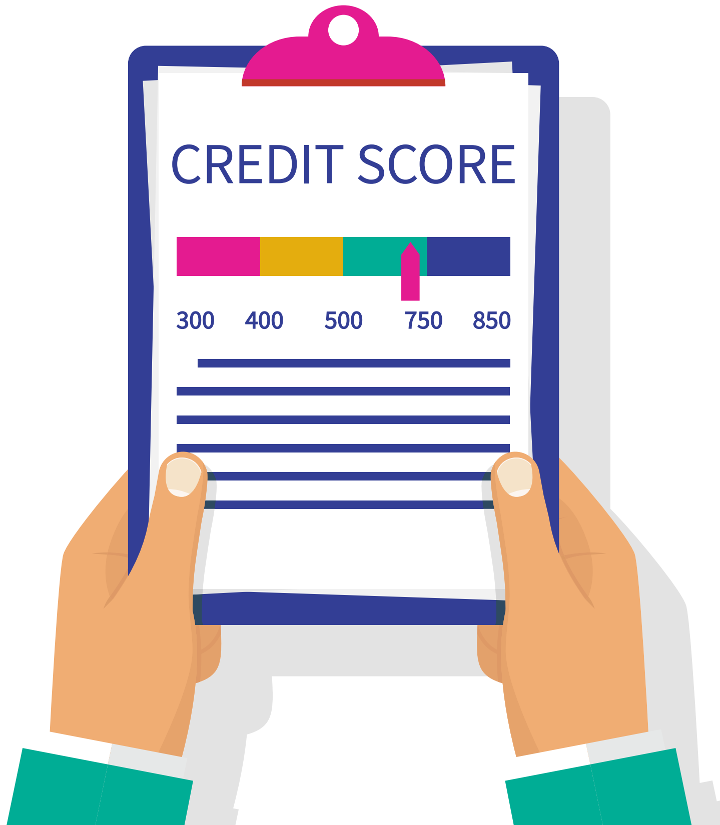


Experiences of Credit

Before exploring participants' experiences of specific financial products we looked to recognise their level of understanding of what credit meant to them.

The experiences in each of the groups varied wildly, depending on their own personal situations and experiences. Some of the answers included:

- Credit on your phone
- A bank score
- Value of purchases in relation to income and savings"
- A helpful source of temporary money for help in either buying expensive stuff or items you can't wait until payday to buy from a third party
- When the bank matches what you make in a year
- When you take out a loan and have paid it back – you get it after paying back
- Temporary money that is allocated to you that you haven't paid for yet
- Credit is what the bank has when you borrow money
- Borrowing money that you have to pay back with interest



Rathbone Training

The group of participants from Rathbone Training self-identified as one of the least knowledgeable on credit and several members of the group admitted to having only ever heard of credit in terms of phone credit; "I just thought credit was for your phone".

This was a sentiment echoed by the majority of the young people, demonstrating almost no basic understanding around credit and all that it entails. There was little to no understanding between a credit or debit card, with only a couple of the participants having a debit card, and no understanding between store cards and loyalty cards. They did however feel like they understood the principles of 'interest rates' but didn't have any experiences of it.

Although a few of the young people in the group had heard of "Brighthouse", but they didn't know how it worked or why you would use it. The group had heard of payday loans "Wonga" or "QuickQuid" and felt that they might be a good thing for people who don't have a lot of money, specifically at Christmas time when they might have to spend a lot of money. This was due to the fact that they were completely unaware of the costs of these loans, how they are repaid, or the consequences of not repaying them, demonstrating a broader lack of knowledge broadly around credit and loans. The perception of these products amongst the young people may also have been linked to the marketing of these products, which show the benefits but not the consequences.

Overall, the young people felt they would rather just save up than borrow money, as they "could get in a lot of debt if they add on interest" and "parents will kill you if you get a loan and can't pay it back". They were unaware if their family or friends had experience of borrowing money either; "don't know but feel sorry if they did", "don't know, don't talk about it".

Fife Gingerbread

Although the Fife Gingerbread group felt they had little to no knowledge on credit, they were able to share some experiences and understanding once we delved into the topic further.

Some members of the group expressed their frustration with the lack of information that had been provided to them prior to their applications for credit. One participant explained they were unaware that simply applying for credit (for example a phone contract or store card) can affect their credit rating. One of the young people admitted to "throwing away" bank letters regarding an 'unarranged overdraft' as they didn't understand what the letter was trying to tell them, with several having been charged for 'unarranged overdrafts' as they had just enough money in their account available for what they thought a bill would cost, but unexpected charges took them over this threshold. This was not identified by the group as an obvious form of credit, but they did see it as money borrowed.

One young person from Fife Gingerbread shared the experience of having taken out a small loan with a credit union of £500. She had gone to them through a recommendation from family and described to whole experience as very positive. She felt she was taken seriously but that the credit union also took the time to explain to advantages and disadvantages of the loan, how she would be paying it back and when. She never felt they were rushing through the process or being anything less than truthful and supportive. She has since paid off the loan but is hoping to take out another loan from them in the near future, possibly of a larger amount too. This was the only story shared around ethical lenders from the group in their experiences of credit or financial products.

Another young person had attempted to apply for a high street store card in store as she wanted to buy some clothes but didn't have the money to spare immediately. She filled out the information in person but was declined at that point. She was then later contacted by post to say she had been approved so was able to get the card after all. There was no explanation around why she was initially declined or subsequently accepted, and she couldn't then explain this to anyone else. She was also unaware that interest had to be paid on the credit and believed she was not clearly taken through the terms and conditions. She remembers seeing the terms and conditions but didn't read or understand them at the time. She now uses the card occasionally and makes repayments as soon as possible.

Another participant in the group also had a store card but felt she never wanted it in the first place. While shopping in a high street shop she was asked if she wanted to take out a store card. Having been asked repeatedly, she felt unable to say no. None of the terms and conditions were, she believed, adequately explained, she was just told it was "like getting the clothes for free". She then went away and immediately paid off the card payments and has never used the card since. She felt pressured into signing up for the card, which she never wanted or understood the risks or benefits. She is uncomfortable with the whole product as she felt there was a lack of explanation on how it could be used positively, which has put her off future use of store cards and financial products more widely.

LinkLiving

In the LinkLiving group, one of the participants shared their experience of a loan been taken out in their name and their role in the process. This was very much their perception of the experience as they weren't directly involved in the process. They described someone coming to the door to offer a "provy loan" (Provident Personal Credit). The young person's mum decided to take out a loan in her son's details as she was unable to do so herself. The son agreed having had little information or understanding on how this type of loan works, how it would impact him or even how much the loan would be for. The loan provider did a 'credit check' to see if they could take out the loan, which came back with no problems. The mum had heard from the neighbour about way of accessing credit, but the son didn't trust the arrangement and wanted to stay out of the situation even although his details were being used. He felt that it was his mum's responsibility to use and repay this money responsibly, even though the consequences could affect him in the long run.

Alloa Academy

In the group of 5th year pupils from Alloa Academy there was little to no experience or understanding of financial products or credit more widely. Markedly, all the participants' parents were responsible for their phone contracts and paying the bills so there was little to no understanding amongst the group of how this type of credit works or the implications of not paying these bills responsibly.

The story shared by one of the pupils was of a young person needing a new phone, so her mum signed up for a contract on her behalf. The young person then used more than her data allowance, resulting in charges on the contract that were billed to her mum. This resulted in the mum then restricting the contract to avoid any extra charges, but with little or no consequences for the young person herself. This story was echoed by many of the other participants as a familiar situation.

Edinburgh College

As part of the Edinburgh College group, a few of the participants were able to share their experiences of financial products. This group had somewhat more experience as they were slightly older, and mostly living independently.

A group of participants shared very similar experiences of credit through applying for phone contracts. All 5 of these participants had a contracted phone but it was set up and managed by parents. This meant they had little or no understanding of the process of application, how their credit could be affected or affect the outcome, or the use of the contract, echoing the experiences from Alloa Academy.

One young person openly shared that she was declared bankrupt. This was through many bad decisions and a lack of understanding of the system of accessing financial products and the required arrangements, as well as a lack of understanding of the consequences. Having little to no family around to guide her was seen as an important factor in the negative situation. She eventually approached Christians Against Poverty for support and had a very positive experience with them. Rather than being told "you must pay x amount per week to get rid of your debt" she felt her needs and situation were considered. With their support she was able to develop a payment plan but also now feels she understands how to manage her money, what contracts really mean. Positively, she also now she feels able to teach others how to do the same. She now sees herself as financially capable having had very negative experiences managing her money.

A key insight shared by several participants in this group was that a lack of support network, family or friends could lead to bad financial habits and negative experiences with money management and credit.

One of the young people, before they started attending college, shared that they attended a course in high school around finance. As it was an optional course, which was not widely promoted, not very many people signed up or were in attendance. He enrolled to find out more about how to pay bills, gas/electricity, understand VAT and tax, bank bills and what each of the figures meant. Although there was some information around credit it was minimal, and he felt it wasn't enough to make an impact on his understanding.

Key Insights, Challenges and Action Area

The participants were asked to consider the barriers they feel are preventing them and other young people in Scotland from engaging effectively with financial products and services and understanding the opportunities that might be available to them currently.

They were asked to reflect on their perceptions, their own experiences and knowledge. Following on from the initial exploration workshops, a small group of representatives were brought together to collate the insights collected and pull out the key views of all the young people involved in the project. As part of this process the participants were asked to consider the opportunities for change, that would allow young people in Scotland to have access to affordable credit and enough knowledge and understanding to make confident and informed decisions about their future.

1 The concept of credit

The word 'credit' itself was seen to be a barrier in allowing young people to make the best use of any affordable credit options available to them. As credit isn't something that they feel they are taught about in schools, or talk about amongst their family and peers, it is perceived as an 'unknown' to most young people. This lack of basic knowledge makes it difficult to engage with information, support, advice and services. Not having the opportunity to talk openly about money and credit means a lack of understanding of the whole system and hinders young people in making confident and informed decisions about their future.

For most of the participants, being able to discuss what the term itself means during this project has allowed them to understand the landscape more broadly and the potential opportunities available to them. Throughout the feedback for each of the sessions as part of the project, young people consistently expressed they had learnt more about credit and financial projects, "[I learned to] look at credit in a different light", not only finding the session helpful but also fun and engaging, "really helped me understand credit", "[I enjoyed] the interactivity of the things we did".

In general terms, there was an understanding amongst the young people that the long-term impact of managing money responsibly could be vital to future goals and stability. This notion was valued by the young people, who identified a long-term goal of being financially stable enough to live comfortably and be able to afford expenditure such as a deposit for a house or car. However, in practical terms, most of the participants thought more about the day to day concerns and identified that they were more likely to be impulsive rather than saving, buying what they want now, or saving up for smaller things with little impact on the future. There was a lack of detailed understanding of what the consequences might be of not managing their money well, not using financial products responsibly, and how their day to day actions could affect the long term.

"I learned to look at credit in a different light"

2 Fear of debt

Debt was generally seen in black and white terms, rather than on a spectrum. There were two points of view represented:

- being in debt is inherently negative
- some forms of debt can be positive, and some forms can be negative

Those young people who felt all forms of debt was negative were motivated by worries of not being able to repay what had been borrowed and the consequences of that, but also the cost of borrowing and repaying interest rather than just living on what they have. The participants identified debt as being a real worry for young people when they don't feel like they are able to pay back what they owe in the time required. Although they thought loans meant borrowing what is needed, the repayment and interest rates can cause more worry and stress for them in the long run. Negative forms of debt were considered to be loans with very high interest rates, unpaid debt and debts that were too large to repay.

This fear of being in any sort of debt was an overwhelming influence on the actions and attitudes of these young people. Debt was very much seen as a negative and felt like a "life changing" consequence of not managing your money well. Concerns and fears ranged from not being able to pay debt back and this escalating to a point that is uncontrollable to losing possessions, property, and changing future prospects, such as not being able to stay in employment or even time in prison. This risk was seen to be too high for the benefits if it is avoidable. The young people also identified that this fear of debt can affect all aspects of life – mental health, relationships, habits and patterns.

There was a distinct concern about losing possessions or stability, with many raising specifically the television programme "Don't Pay We'll Take It Away", "Scared of debt collectors – watched 'Don't Pay We'll Take It Away', they could come and take my stuff", although the laws around repossession are clearly different in Scotland than England and Wales, many are unaware of what the consequences of failing to repay debt might be. Fear of the unknown repercussions that might come with debt is coupled with a generally low level of knowledge of the whole credit landscape, exacerbated by media headlines, which can feed particular viewpoints and perceptions, "Getting personal items taken off of you, don't know what might happen". Some of the young people from LinkLiving highlighted they wanted to avoid credit altogether, just using the money they have, borrowing from friends and family in an emergency rather than a bank, due to a lack of trust and understanding of the financial system.

A healthy 'fear' of debt can, of course, be very positive in ensuring that young people think carefully about money and avoid borrowing more than they can afford, but there is a concern that a lack of wider engagement with the concepts of credit and debt could hinder young people from building important knowledge and skills, with potentially negative consequences in future when they may need to access credit for a wide variety of legitimate reasons. There was a negative perception of debt amongst young people derived from television shows that highlight extreme cases rather than a more balanced view of everyday reality; and views of older generations being passed on instilling fear unintentionally.

Some young people could identify positive forms of debt, such as a mortgage or loan for car payments, which they would not be able to afford to buy otherwise but might realistically afford to make payments towards. There was also an understanding of using debt positively to build up a credit rating and open up opportunities in the future.

However, the young people generally felt they needed more support to clarify that not all debt is 'bad', such as mortgages, or affordable loans that can be repaid; and more information to help them understand the proportionate and reasonable ways to make use of appropriate financial products. Part of the issue that needs to be addressed is increasing the supply of fairer alternatives to give variety of trusted sources of credit to choose from, alongside more information about affordable alternative sources already available.

3 Types of credit

Although the young people involved in the workshop sessions found the concept of credit difficult, they could identify that there is a difference between types of credit and financial products. There was an understanding that to build up a good credit rating there is a need to access financial products and use them responsibly.

The young people tended to view financial products as being ‘good’ or ‘bad’ rather than on a scale which may or may not be appropriate for a specific situation. However, there was a recognition that not all financial products are the same. They identified services like ‘Wonga’ or ‘Brighthouse’ as ‘bad’ forms of credit but credit unions as good and “trusted”, although this was very much a perception of these services rather than an in-depth understanding based on experience. There was some perception too about the conditions of a loan being ‘good’ or ‘bad’, with lower interest rates and longer time periods to repay loans regarded as positive.

Knowledge and understanding about types of credit did vary quite considerably from group to group. The older group of participants from Edinburgh College had a good understanding of interest rates and what were seen as safe options for borrowing money, so credit unions and banks. They also identified payday loans with very high interest rates as sources they would avoid and saw these as not to be trustworthy. Loan sharks and payday loans were also mentioned by the younger age groups as more negative sources, but this wasn’t necessarily linked to interest rates or repayment terms, but rather just a negative perception from their peers and the media, and there wasn’t the same level of mistrust. The youngest of the groups from Alloa Academy had very little understanding of the variety of loans available, or how they could be suited to different circumstances. Repayment terms weren’t mentioned as a positive or negative factor, merely that there are negative consequences if loans aren’t repaid within the appropriate timeframes.

By building up young people’s knowledge of the variety of loans available, and the appropriate ways to make best use of them, young people have the opportunity to take responsibility for their own decisions for managing money. Although several of the young people had accessed financial products at a young age, they identified a need for better checks when taking out a loan for identity and security. Young people are keen to have a better understanding of the consequences of their actions to allow them to make informed decisions, “give young people the information to allow them to make informed decisions without fear”.

The young people felt that if they more clearly understood the incentives to save and the reasons why managing their money well is important, then this would motivate them to do so, more than just it being seen as the “right thing to do”..

“give young people the information to allow them to make informed decisions without fear”.

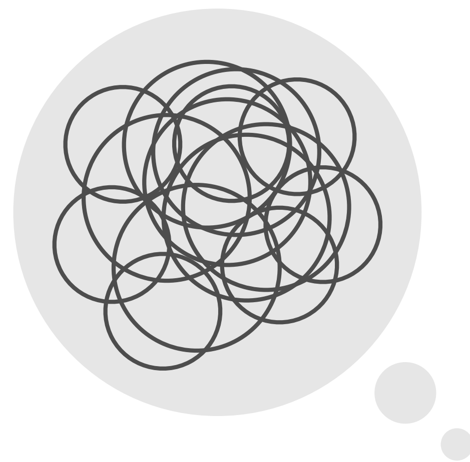
4 Credit ratings

‘Credit ratings’ were the most commonly cited response given by young people when asking about credit, with most understanding that a personal credit rating can change and can be good or bad. This may be due to a familiarity with the term in other contexts, such as ‘credit’ on your phone or a ‘credit’ card. Credit ratings were considered to be a way to understand someone’s ability to pay money back borrowed money or pay something off. There was also an understanding that a ‘bad’ credit score could impact negatively on a variety of opportunities, for example finding work or being able to get a mortgage. It was also identified as being an issue that could affect young people emotionally, “it doesn’t make you feel good about yourself and your circumstances if you have a bad credit rating”.

There was less of an understanding amongst the young people about how credit ratings can be changed, positively or negatively, although this did vary across the groups. The older age range of participants were more aware of checking their credit ratings and how repeated failed applications for financial products could negatively impact on their credit rating, as well as positively changing it through making repayments and using financial products responsibly. There was a fear among the younger participants around how quickly your credit rating can be ‘ruined’ and how long it can take to build it back up again, or if in fact it can be built back up at all.

Having clear and simple ways to build up a positive credit rating was something that all participants were looking for, in a variety of ways that felt achievable. They also identified a need for credit ratings to be explained in a way that is more relatable for young people, with most not being able to understand specific consequences and how to interpret the information.

5 Accessibility, Information and Language



The use of complicated language, technical terms and jargon in the sale of financial products, including contract terms and conditions, was consistently highlighted as a barrier for young people. When young people already feel they have very little knowledge around managing their money and specifically credit, making sense of the jargon and legal language can be particularly difficult.

The young people felt that technical terminology was often used to serve a company’s interests, rather than theirs. The group at Rathbone felt that advertising of credit products generally highlighted the positive aspects of these products but did not adequately convey the possible negative consequences of borrowing money. To this end, it was felt that complex language can create a sense of distrust for young people towards organisations selling a product, as they felt that they were being bound into something they didn’t understand, “making it harder for us to understand in hopes of people blindly agreeing”. This uncertainty around terminology can prevent young people from engaging with financial products and from understanding the most appropriate products for their circumstances. At the same time however, there was also a lack of interest amongst some young people in making sense of the terms and conditions of products if they could not see how it might affect them or their decision making, with many adopting and an attitude of “it’s been fine before so will be this time”.

Other issues of accessing products were raised, such as their age. Having to be a certain age to take out a loan can be a barrier to young people understanding the process, even if they can't access the products themselves. They also felt that they weren't always taken seriously when looking for information or to apply, as they felt organisations didn't think of them as being responsible enough to repay loans, "Don't think you'll be responsible and pay it back". The stigma that comes with being a certain age was felt to be a barrier to accessing the right information and advice to make informed decisions later in life, "see you differently if you're younger, less likely to give you a loan, take you less seriously, think you're a reckless spender".

Being pressured into signing up for products was identified as another issue for young people. The young people often felt put on the spot and unable to say 'no' when asked in person to sign up for a store card or contract. Allowing them the space to understand the information, providing clear detail of the policies and the time to make an informed decision would allow young people to choose whether or not a product is right for them. Without the knowledge and understanding of the variety of products available to them, it is difficult for young people to make confident decisions that are appropriate to their needs.

6 Support and Advice

Appropriate support and advice is vital to allow young people to access the right products, in the right way. Without impartial, independent advice the young people identified that there is a risk of getting into unnecessary debt or dangerous situations.

Trusted individuals around young people have a critical role to play in helping them build their knowledge to make informed decisions about credit, "No knowledge of the support systems you can access and that are already provided".

Although living independently can be a great experience for many young people to develop, the group from Edinburgh College felt that when it came to understanding their finances and how to manage these, it could be a difficult situation, "Living independently with no one to turn to for help, advice and support".

The young people involved in the project were looking for information in a clear and accessible format, so that they can confidently make their own decisions around managing their money. It was highlighted that they want to take responsibility for these decisions but don't feel they can do so currently without a better understanding of the language. Many identified the need for support from someone they trust before signing anything, to ensure what they are committing to is right for them.

The young people would like information that is readily available, in a variety of forms with step by step support that feels personal to their situation, rather than general to all young people. For example, having very specific needs and concerns as young parents, the participants in the Fife Gingerbread group wanted information that would benefit their specific needs. Young people would like information about products and services available, the potential benefits and drawbacks of these, and the consequences of misusing products or services. This is particularly key when young people are looking towards independent living, with work required to help address young people's lack of confidence in themselves to make the right decisions when it comes to money and credit.

Several of the participants shared their own experiences of loans, and not managing them responsibly, which they identified as an issue of it being too easy to take out a first loan at a young age online, with little guidance or understanding, and could result in negative impacts on their future credit rating.

The opportunity to speak to someone face to face was seen as vital for young people. They want someone that will listen to what they have to say and has the time to give them their full attention. Feeling valued and understood throughout the process of accessing financial products would allow them to be more confident in their decision making, "Would like the opportunity to speak to someone face to face, listen to what you have to say, can really listen to you, don't just want to get you off the phone". Meeting face to face with professionals can build up trust and understanding.

While the young people felt that information and advice should be shared from a young age, it is particularly important and relevant at key transition points, for example when looking to live independently. Critically, the information needs to be tailored to the personal situation of the young person in question.

Although face to face engagement was seen to be essential, the young people also want information to be available online – and for there to be a seamless link between the online and face-to-face provision of information. However, the group from LinkLiving highlighted that some young people in Scotland may face a lack of access to online information. This could be due to not having access to a smartphone, the data needed to run it, or a computer in a space they can comfortably make use of. In addition, the young people also highlighted that information online can present challenges as it is more difficult to gauge if it is accurate and up to date, and the quantity of information is so vast and varied it makes for a difficult and confusing landscape to navigate.

As noted above, young people are wary of advertisements of financial products. They often feel they are unable to trust the information in adverts, unsure if this is impartial and appropriate to their personal situation and needs, and sceptical about whether the full implications of the product are properly explained, rather than simply being a 'sales pitch'.

6a Support and advice from family and peers

Credit and money management was not regarded as a topic the participants would talk easily about to family and friends, as they wouldn't know how to discuss it given the limited knowledge they have to draw upon. In addition, information from family and friends was not considered to be necessarily accurate, or the experiences of family members might not be the 'right' way to go about something. Some young people also identified a lack of support from their family to develop experiences – "will kill you if you get a loan and can't pay it back", with the fear or making a mistake stopping them from making decisions and accessing products.

Although the majority of the young people never spoke to their parents about money they were often still dependent on them. Parents and family were highlighted as the main source of borrowing money for young people, and, despite the challenges described above, parents were also who they would turn to for information in a difficult situation if they needed to speak to someone they trusted, "go to my family as a last resort". It was agreed that older generations' experiences and worries are often passed on, whether they are 'right', outdated, misguided or positive. This can potentially give young people a skewed perspective of the financial products they are using, "my mum told me about it, it sounded like a good idea" (in reference to a store card). The consequences of their parents' or carers' actions can also impact on the views of young people about credit.

In terms of friends and peers, most of the young people felt that there would be a shared lack of knowledge, so they couldn't turn to them for advice or information, "most of my friends are equally bad with money". Although the older participants felt they might turn to their more experienced friends, "can be useful if you have experienced and trusted friends".

Although young people would like credit and debt to be a more open and approachable topic of conversation between their friends and family, it was highlighted that information would be more trusted if it was coming from a trained professional.

6b

Support and advice through school

Education was identified throughout all the workshop sessions to be key in setting young people up for the future and allowing them to be confident in themselves and in their decision making.

There has been a clear commitment to financial education in schools in Scotland for almost a decade. It is now embedded in the Curriculum for Excellence and is taught in both numeracy and social studies, generally taught across the curriculum rather than being linked to a specific teacher or class, in most cases up until third year of high school.

Despite this long-standing commitment, many of the young people participating in this project did not feel that practical skills around money were covered sufficiently in school. There was also a perceived lack of learning and knowledge by the young people on where to look for information, "School doesn't give you any practical info about money, so how are you meant to know".

Although a few of the participants could identify that they had some information around money management in schools, many could not. They felt that the wide variety of topics relating to issues of money, credit and debt are not being explored in enough detail to help students really understand the benefits and consequences of different financial products. An increased focus on the terminology of credit was also seen as being required. It was felt by most participants that they have learnt more about credit from their lived experiences outside of school. Many of the young people had met with a career adviser and had expected to have some guidance from them on these issues but felt they had received very little support or advice. Young people felt there is a perception in schools that teaching young people about how to manage their money and more practical skills "isn't the schools' job" and that young people should be taught this out with their education.

However, in tension with these reflections there was also a recognition that an increased focus on financial literacy in schools would present challenges. This is because the young people themselves acknowledged that there is a general lack of interest in this area amongst young people when they are of school age – and that it is only after they leave school that many realised it would have been beneficial to have had more of this type of support at school. The challenge for pupils is that they often cannot see how issues around debt and credit immediately affect their day-to-day life, so they don't prioritise this as something they want to build up their knowledge of, "people wouldn't listen about credit in school as they think it doesn't apply to them". This demonstrates how important it is to make sure that learning around credit is focused on topics that are relevant to the specific situations of young people and what might affect them in the near future.

The young people indicated they would value having classes with group discussions in high schools, with problem solving activities and information that can be kept and referenced later. These might include real life examples, showing how they can access information and services they might need. To make sure the information and advice being given is up to date and clear, the young people thought it would be beneficial for teachers to receive additional training in this area, to help ensure they have the right type information for young people. Alternatively, they suggested that external professionals could be brought in to deliver these classes. The young people proposed that any increased focus on financial literacy should be available to all students from fourth to sixth year, as it is at this stage that young people will be going through key transition points where credit may be a particularly relevant topic and will therefore be more likely to engage with the information.

The group from Edinburgh College specifically felt that students were lacking in a trusted advisor to cater to their needs and situations. Having a professional that young people can make an appointment with or go to in a crisis would make information and guidance more accessible and relevant. It is vital that young people have someone trusted who they can ask for advice at any point in their lives, not just in a school environment. The slightly older age range of participants were keen at this point in their lives to have information and guidance for the future, not just the day to day management on their money.

6c

Other sources of advice and support

Although banks were identified as a professional and trained source of information, there was some mistrust of these institutions amongst young people, who often felt like they were being sold a service, rather than being provided with impartial advice, "I think they are just out for money and cannot be trusted". There was a demand for banks to explain more fully the financial products and information to young people before they commit, for young people to make informed decisions confidently understanding both the positives and negatives of the options available.

Some specific financial service providers were seen to be more or less trustworthy, for example Wonga was seen as not trustworthy and TSB is more trustworthy (despite the general wariness of banks). This was a snapshot perception of the young people but didn't necessarily reflect what financial products they would make use of.

Youth organisations have a role to play in preparing young people to be responsible for their own futures and are very much seen as trusted sources of information but also an invaluable support network for young people. This could help address the lack of awareness of organisations that can support young people and give impartial, trusted advice.

Young people identified that they are often looking for a key support worker or trusted professional that they can go to for impartial, independent advice, knowledge on managing money, support in a crisis situation and help understanding the pros and cons of a service or product beyond what is provided in sales information.

Often the actions of the young people participating in this project were influenced by those who they felt had the knowledge to share, and also, crucially, supported them to make these decisions independently – "Phoning HMRC about Child Tax if I didn't have support from Fife Gingerbread I wouldn't have got any money back".

A 'safe space' for young people to go for face to face discussions, group meetings and free advice, specifically when at points of transition or when facing financial problems, was seen as desirable in allowing them to address problems, build their knowledge and their confidence and ultimately help them to become more resilient throughout their lives when managing their money.

Conclusion

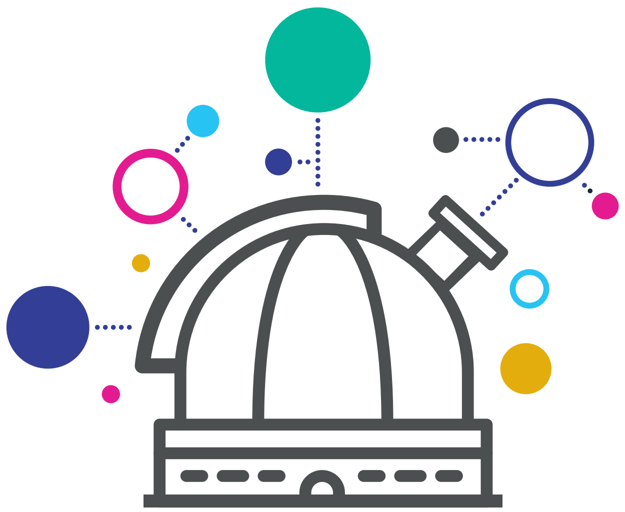
The focus of this engagement was to explore how young people in Scotland perceive credit and to develop areas for action through which young people's engagement with the provision of different credit might be enhanced and improved.

The concept of 'credit' was identified as a key barrier identified by young people. The significant lack of knowledge and understanding of the issue means that young people are often unable to make best use of advice, support and products that may be available to them. There was a clear focus around the short term rather than future impacts. This was due to a lack of understanding of what the consequences might be for not managing their money and how they use financial products responsibly, but also a sense of helplessness for the future. As many felt the whole landscape was too difficult to navigate they had little understanding for how they could make use of it in the future.

The fear of being in any sort of debt was an overwhelming influence on the actions and attitudes of many of the young people involved. Debt was very much seen as a negative that can affect all aspects of life. The unknown or the perceived consequences of managing money in the 'wrong' way could be greatly alleviated by empowering young people with more relevant and tailored information and knowledge to make confident decisions. The young people very much saw credit and financial products in black and white, rather than a scale, due to a lack of understand of how these products might be used appropriately.

There was a basic understanding of the varieties of loans available, but the fear of being unable to repay the money they might owe was a real source of worry and stress for young people. By building up young people's knowledge of the variety of loans available, and the appropriate ways to make best use of them, young people can have the opportunity to make confident, informed decisions.

Credit ratings were the most common response from young people when asking about 'credit'. Having clear and simple ways to build up credit ratings was something that all participants were looking for, in a variety of ways that seem achievable. Although young people were aware of credit ratings, they also identified a lack of knowledge on what these actually mean and expressed a desire for easy to understand information on the topic. The use of jargon and technical terms more generally was the most consistently identified barrier by the young people, as the first point of friction when accessing financial products. Simple, to the point information in a clear and accessible format, was seen as being required to enable allow young people to confidently make their own decisions around managing their money. They want to take responsibility for these decisions but don't feel they can do so currently without a better understanding.



The concept of 'credit' was identified as a key barrier identified by young people.

Young people would also like to make finance and credit more open and approachable topics of conversation between their friends and family, as these are vital trusted sources of advice and support throughout their lives. However, it was understood that information wouldn't always be accurate and useful, so it may be more appropriate if it was coming from a trained professional. Family was also identified as the primary source of borrowing money and was widely accepted throughout each of the groups involved in the project.

By making information and advice relevant and engaging throughout a young person's school life awareness of what credit is and how it can be used effectively can be built up. This can also provide vital information about how they can manage their money better now, to develop 'good' habits and positive lived experiences. Young people perceived education around credit to be lacking in schools generally but admitted that they may not be interested in receiving more of this in school.

Other sources of support and advice recognised included the role of youth workers and intermediary organisations that work with or support young people, who could be sources of trusted advice, helping to address the lack of awareness of young people to manage their money.

Knowing they can trust that the information is correct and up to date would allow young people to take ownership of their decisions and get the best out of opportunities available to them.

Where the perception is that young people would automatically look for a digital solution, face to face information and advice is vital in developing trust and understanding for young people. Digital tools were not brought up as a solution, as many would expect, with the variety of information online proving too confusing to navigate when it concerns a topic they are unfamiliar with, and social media was not identified as a tool in this context.

Young people very much saw the importance of managing their money responsibly, with any flippant attitude towards credit and money as an exception rather than the rule. Through activity to address the areas identified in this report young people in Scotland can start to better understand the landscape of credit and how to manage their money more effectively, as well as being able to have access to the best services and financial products available to them.

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