Finance Session – a summary of transcript

Financial inclusion: Managing vulnerability across long lives

Chair: Lawrence Churchill

Welcome, everyone, to this session on financial inclusion and managing vulnerabilities across the life course. We have an excellent panel today, and we will explore how we can safeguard consumers, particularly those most affected by financial vulnerabilities. Our speakers will present for five minutes each, followed by a Q&A session.

Speaker: Fiona Dunsire

I will outline three key areas:

1. The global risk environment over the next ten years.
2. The impact of demographic changes on financial vulnerability.
3. Opportunities for technology to support financial decision-making.

According to the World Economic Forum's 2025 Global Risk Report, economic risks are no longer among the top ten concerns, while environmental and technological risks have gained prominence. AI-related risks and misinformation are major emerging concerns.

Demographic shifts further exacerbate financial vulnerabilities. The UK's latest ONS population projections indicate a growing ageing population, with nearly 50% of people over the state pension age by 2032. Healthy life expectancy has declined, with significant regional variations, increasing financial strain on older populations.

Technology, however, presents opportunities. Auto-enrolment in pensions has proven successful, demonstrating how behavioural science can encourage better financial planning. AI is also being leveraged to provide personalised financial guidance, helping consumers make better decisions. While risks exist, ensuring a human oversight component remains crucial for consumer protection.

Speaker: Dr. Chris Fitch

Over the past decade, the UK's approach to consumer vulnerability has evolved, particularly due to the Financial Conduct Authority's (FCA) response to the 2008 economic crisis. In the coming weeks, the FCA will release an evaluation of its vulnerability strategy, providing valuable insights.

Three key themes to consider:

1. **Vulnerability to what?** Instead of viewing vulnerability as a general condition, we need to define the specific risks people face—exclusion, disadvantage, or financial loss.
2. **Standardising support.** There is an ongoing effort to develop a taxonomy for support needs, moving beyond individual accommodations to broader systemic solutions.
3. **The data-sharing revolution.** Open banking has demonstrated the power of sharing financial data for better services. A similar model could help vulnerable consumers share information with multiple essential service providers (e.g., banks, energy companies) efficiently, rather than having to disclose their circumstances repeatedly.

The FCA's upcoming report will highlight these trends, and I encourage everyone to review its findings when published.

Speaker: Adele Atkinson

At the Centre for Household Assets and Savings Management (CHASM), we research financial inclusion, precarity, debt, and inequality. Financial inclusion relies on three key elements:

1. **Secure income.** Financial exclusion often stems from economic instability rather than direct exclusion from financial services.
2. **Access to appropriate financial services.** This includes savings, credit, and insurance products tailored to diverse consumer needs.
3. **Availability of financial advice and education.** Many people are unaware of the support available to them. In our research with the Financial Inclusion Commission, participants had limited knowledge of credit unions and government support schemes.

Financial education should be lifelong, addressing budgeting, borrowing, and financial planning at various life stages. However, financial literacy alone is insufficient – confidence in financial decision-making is just as crucial.

Speaker: Ruth Persian

At the Behavioural Insights Team, we focus on improving financial decision-making through behavioural science. Two key areas where this approach has been effective:

1. **Encouraging saving.** The "Save More Tomorrow" initiative in the US increased pension contributions by allowing employees to commit to

higher savings rates when their salaries increased. Similar mechanisms can be adapted to the UK context.

2. **Reducing poor financial decisions.** In a recent experiment, we found that pension providers offering cashback incentives led consumers to overlook key details such as long-term fees, resulting in worse financial outcomes. Simple design changes, such as making fee disclosures more prominent, could mitigate this issue.

By understanding human biases, we can design interventions that improve financial resilience across the population.

Q&A Session

Q1 (Richard Maughan, ONS): How can we better communicate population projections to aid financial planning?

Fiona Dunsire: There is potential for greater disaggregation of data to make insights more relevant for individuals and policymakers. However, the role of ONS should be balanced against the responsibilities of financial service providers in making this information accessible.

Q2: Is the behavioural experiment on pension transfer incentives publicly available?

Ruth Persian: Yes, the full study is available on our website and the People's Partnership website. There is also a summary in The Sunday Times.

Closing Remarks (Lawrence Churchill)

Thank you to our panel and attendees for an engaging discussion. I encourage you to continue these conversations over coffee. We look forward to seeing the impact of these insights on financial inclusion and consumer protection.