

A teal graphic in the top right corner containing the text "Scope to..." in white. The text is surrounded by a cluster of small white icons representing various concepts like technology, education, and business.

Scope to...

Disabled people and financial well-being

Information and advice

Key messages

- On the whole disabled people are confident in managing their own money, and aren't much more likely to run out of money each month than non-disabled people.
- But when they do run out of money, disabled people tend to 'do without' or rely on family and friends, rather than use other financial tools at their disposal such as overdrafts.
- Although they are less likely to use professional advice, disabled people are generally positive about it when they do.
- However, disabled people who seek advice tend to be in work and in a good financial situation. This means that those disabled people most in need of support and advice, are less likely to get it.
- The raft of changes to the welfare system means that, in the coming years, financial information and advice is going to be an increasingly important resource for disabled people. Yet at the same time, the supply of both will dwindle and disabled people will continue to face barriers to accessing information and advice.
- The government must increase funding to advice agencies, and ensure that disabled people have all the information they need to plan for the welfare changes.
- Regulators must: work with banks to increase disability awareness training; ensure equal provision of advice for low and high income consumers; and stamp out biased advice which is inappropriate to their consumers' needs.

The importance of information and advice

Although the meaning of financial capability is still being defined through research, (1) it involves having the confidence and skills to manage one's own money on a daily basis, as well as being able to budget and plan ahead. It also means being able to understand and choose between the different financial products available, and to get the best deal – for example, by comparing repayment costs before taking on a loan. (2)

Having access to information and advice is, therefore, an integral part of financial capability, enabling individuals to choose the right product by, for instance, effectively comparing interest rates or premiums. For disabled people, it will also mean knowing how and when the welfare changes will affect them. This knowledge will allow individuals and families to plan ahead, know their entitlements, and budget appropriately.

“[It’s my] right to make my own decisions as to how I spend what money I have. I may be disabled but my mind and logic are fine.” Laura (3)

Having the right financial advice enables people to: manage their money in the most effective way; choose the right products for their needs; and more easily process complex information in order to make decisions, especially in times of urgency.

The findings

Although disabled people have the confidence to manage money on a daily basis, they opt for low risk coping strategies when money is tight – highlighting a clear role for information and advice.

Disabled people are largely confident when it comes to managing their own money

- The majority (84%) of disabled people say they are confident managing their finances. (4)
- The majority (77%) are mainly responsible for making sure that their household bills get paid.

“I am very confident with my finances. I budget and do not spend what I do not have. I have a 0% credit card, and change it when I need to. I have a loan which finishes in May. I use Money Saving Expert.com to give me the best deals on all my finances, and have saved loads over the years.” Robert

1 Money Advice Service (2013) UK Financial Capability Strategy Call for evidence, <https://www.moneyadviceservice.org.uk/en/static/financial-capability-call-for-evidence>

2 Financial Services Authority (2006) Levels of Financial Capability in the UK: Results of a baseline survey, <http://www.fca.org.uk/static/fca/documents/research/fsa-crpr47.pdf>

3 All quotes in this pamphlet are from the ‘Scope Money Matters Survey 2009 / 2010’

4 Unless otherwise referenced, all statistics come from survey analysis conducted by Ipsos MORI (see acknowledgements).

There is little difference between whether disabled people and non-disabled people run out of money each month

- Disabled people are slightly less likely to ‘always’ run out of money each month or week (12% said this compared to 14% of non-disabled people). (5)

But there is a clear difference between how disabled people react when they do run out of money, compared to non-disabled people

- When they run out of money, disabled people are more likely to opt for coping strategies to manage their tight finances. They are more likely to ‘do without’ or borrow from family and friends than non-disabled people are, (6) and less likely to use an authorised overdraft or credit card than non-disabled people. (7)
- It therefore seems that disabled people may not be fully aware of the options that are available to them, and are subsequently compromising their standard of living and personal independence.

The use of professional advice amongst disabled people is lower than amongst non-disabled people

- Disabled people are less likely than non-disabled people to have had professional financial advice. The research shows that 79% of disabled people have not received any professional advice in the last five years, compared to 70% of non-disabled people. (8)
- Disabled people in general are half as likely to seek professional advice as they are to rely on informal advice – such as from family and friends. (9)

When it is received, professional advice is positively perceived and effective

- Nine in ten disabled people (89%) felt that the professional advice they received was helpful, including over half (56%) who said it was very helpful.

But then those who seek advice tend to be in work, and doing well financially

- The disabled people who do seek advice tend to be in work and in a good financial situation. Disabled people who rated their financial situation as ‘not good’ are less likely than average to say the advice is helpful than those who rated their financial situation as ‘good’ (79% compared with 89%).

5 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

6 Note: 48% disabled people said they usually ‘go without’ when they had run out of money, compared to 41% of non-disabled people. 39% disabled people said they usually borrow from family and friends when they run out of money, compared to 36% non-disabled people, Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

7 Note: 18% disabled people said they usually use an authorised overdraft when they run out of money compared to 31% non-disabled people. 11% disabled people said they usually use a credit card when they run out of money compared to 15% non-disabled people, Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

8 Wealth and Assets Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

9 Note: 32% disabled people surveyed had sought some sort of professional advice, while 63% had sought some form of informal advice.

Context

In the coming years, in the context of complex changes to welfare and support, there is going to be an increased demand for financial advice amongst disabled people.

The government's wide-scale reform of the welfare system will affect disabled people in complex ways. Cumulative impact assessment shows that many of the 3.7 million disabled people affected by the changes will be hit by several cuts simultaneously. For example 264,600 disabled people who receive Disability Living Allowance and live in 'under occupied' social housing will be hit by three separate reforms at once. They will feel a cut in housing benefit due to 'under-occupation' and a loss of DLA due to the introduction of Personal Independence Payments (PIP). They will feel further reductions through the uprating of DLA and housing benefit by Consumer Price Index (CPI) rather than Retail Price Index (RPI). (10)

“I am very concerned and scared about the changes to the welfare state and how this will affect me in the future.” Tanjeet

The introduction of Universal Credit will increase demand for financial advice.

For most households, Universal Credit will be paid a single monthly payment, with the housing element being directly paid to tenants as part of it. This has huge implications for the financial capability of disabled people. The DWP has itself accepted that – even with the exceptions outlined in the Local Support Services framework (11) – the change from weekly to monthly welfare payments will increase the overall demand for advice. (12)

Many disabled people have been in the dark about changes affecting their finances.

Our research shows that in 2012 almost half (45%) of all disabled people had never even heard of Universal Credit, while a further 26% had heard of it but knew nothing about it. The right advice will play a crucial role in bringing those affected by wide scale welfare reform up to speed.

The rapidly expanding provision of Personal Budgets has implications for the financial capability of disabled people.

In 2012, 53% of users of community services had a Personal Budget (an increase of nearly 40% during 2011 / 12). (13) Although this represents a huge step towards disabled people having full choice and control over their lives, it also gives disabled people responsibilities and decisions that they have never had before, budgeting often thousands of pounds. For disabled people who are moving out of traditional residential care home settings and into the community, having such increased responsibility over commissioning, procuring, and managing their own services will demand new levels of financial capability, and so information and advice.

10 Inside Government (2012) Welfare Up-rating Bill Introduced, <https://www.gov.uk/government/news/welfare-up-rating-bill-introduced>

11 February 2013, Universal Credit Local Support Services Framework, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181395/uc-local-service-support-framework.pdf

12 February 2013, Universal Credit Local Support Services Framework, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/181395/uc-local-service-support-framework.pdf

13 House of Commons publications, 28 Feb 2013: Column 646W, <http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130228/text/130228w0003.htm>

At the same time, due to difficulties accessing banks and online services, as well as decreased government funding to third sector providers of advice, disabled people will continue to face difficulties in accessing a stagnating supply of financial advice.

Disabled people are less likely to own a computer and have internet access at home.

Given the increasing movement towards financial information and advice being online, this has huge implications for disabled people's access to important sources of financial help.

- 67% of disabled people have access to a computer and 64% have access to the internet. This compares to 86% of non-disabled people who have access to a computer at home, and 84% who have internet access at home. (14)
- Disabled people are three times more likely than non-disabled people to have never used the internet. (15)
- Almost half (48%) of disabled people said they would prefer to receive advice in person, rather than over the telephone or via email. Another 20% said they would prefer someone to come to their home, or meet at a local venue. (16)

Many disabled people receive professional financial advice from their banks, yet a significant minority of disabled people cannot access their bank at all.

Four in 10 disabled people (38%) get their financial advice from managers or advisers at their bank or building society – this is the second most commonly used form of advice after Independent Financial Advisers (IFAs) (mentioned by 42%). Yet one in eight disabled people (12%) had found it difficult to physically access their bank or building society in the last 12 months.

“I am physically disabled and have speech problems. I use online banking, usually without problems, but if I need help I find that this is only available by phone. On occasions when I have written or emailed the reply invariably includes a paragraph telling me to phone for further advice despite my having explained the speech difficulty. It is difficult to get to a branch and then parking is a problem as well as steps to access the building.” John

14 Ipsos MORI (2010) ONS Opinions and Lifestyle Survey. Internet Access Module, January, February, March and April, 2010

15 ONS (2012) Statistical bulletin: Internet Access Quarterly Update Quarter 2, <http://www.ons.gov.uk/ons/rel/rdit2/internet-access-quarterly-update/2012-q2/stb-internet-access-2012-q2.html#tab-Disability--Tables-1A-and-1B->. Note: This represents 34 % of those who were disabled and just under half of the 7.82 million adults who had never used the Internet. Of those adults who reported no disability, 10 % (3.77 million adults) had never used the Internet. This indicates that individuals with a disability are approximately three times more likely never to have used the Internet than individuals with no disability. Although this might reflect the older age profile of disabled people, our research (which uses a representative sample) finds that disabled people are more likely to say that the internet is not useful or interesting to them; and 43% give this as a reason for not having the internet at home, compared to 34% of non-disabled people. Source: ONS Opinions and Lifestyle Survey, analysed in Ipsos MORI (2013) Disabled People and Financial Wellbeing

16 Scope (2009 / 2010) Money Matters Survey

The provision of advice given by banks is decreasing, and problematic.

Results from Scope's own survey (17) show that there is a lack of disability awareness amongst bank staff.

“Lack of deaf awareness can be an issue in obtaining information face to face.” Angela

Driven by profits, the advice given by banks is prone to bias. Advisers may be incentivised to sell products no matter how unsuitable they are.

“When I do talk to the bank advisor I am tired and confused and tend to get railroaded into taking the product they want me to have.” Janet

In some cases explicit requests not to receive information have been ignored by banks.

“I had to declare myself bankrupt in 2008. I am affected by bipolar disorder and my money control at the time was very limited and despite asking banks not to give me high credit limits or other facilities due to my BP and having spending urges I found myself in debt.” Amreet

In the past two years – as a response to Financial Services Authority (FSA) guidance that prohibited banks providing commission-based advice on retail investment products – some of the largest banks (18) in the UK have decided to stop providing free advice to all but the wealthiest of customers. There is an ‘advice gap’ between the levels of advice received by disabled people. Our research found that people in employment are more likely to receive professional advice than those not in employment (42% compared with 28%), and those who rated their financial situation as good are more likely to have received professional advice than those who rated it as not good (37% compared with 27%). This further suggests that those disabled people most in need of advice, are the least likely to be getting it.

Funding for crucial forms of advice is being squeezed.

Publicly-funded advice agencies – such as the Citizens Advice Bureau (CAB) and the Money Advice Service (MAS) – play a crucial role in providing information and advice to disabled people struggling with their finances. Over a quarter of disabled people surveyed who described themselves as being in a bad financial situation relied on CAB advice. However in recent years, the CAB has faced average funding cuts of almost 10%. (19)

17 Scope Money Matters Survey 2009/2010

18 Note: This includes HSBC, Barclays, RBS

19 Citizens Advice Bureaux (2011) Cuts in CAB funding leaving thousands with nowhere to turn for help', http://www.citizensadvice.org.uk/press_20110906; Insley, J 'Citizens Advice cuts threaten the most vulnerable', Guardian, 3 Sep 2011, <http://www.guardian.co.uk/money/2011/sep/03/citizens-advice-cuts-threaten-vulnerable>

Recommendations

Against the backdrop of increasing demand for advice, and evidence from our research which shows that disabled people are perhaps not aware of all the options available to them (and as a result may become dependent on their family and friends, or go without essentials), any financial inclusion policy must be focused on increasing access to the right information and advice through:

Funding to advice agencies

The government must commit to increasing their funding for advice agencies such as CAB and MAS, with funds specifically targeted at ensuring the provision of face-to-face advice. Disabled people who are struggling the most financially seek advice from these organisations. Since advice is a key element in any financial inclusion strategy for disabled people – and so would entail longer-term savings - this spending would be justified.

Better information dissemination by the DWP

The wide-ranging welfare changes will have complex effects on disabled people's personal finances. Disabled people will be hit by up to six cuts at once. They will also have increasing control over their finances with the roll out of personal budgets and independent living. With so many forces at play, the DWP must improve its communication to those affected by the reforms – such as letters, personalised according to all the changes affecting that individual.

Continuing ban on commission based advice without the 'advice gap'

This will involve the FCA picking up the objective previously dropped by the FSA: to improve access to financial advice. It must work with banks to make sure the right information is reaching consumers; that offers and advertisements for unaffordable products are not sent to those customers known to be struggling financially; that advice for low-income consumers is provided; and that advice is not biased toward selling products.

“There should be a list like the mail preference service that stop banks... sending or selling me products that will put me into unwanted debt.” Paul

Further exploration into why interest in using the internet is low amongst disabled people

Since much financial information and advice is delivered online, disabled people must both be motivated to use the internet and be able to use the internet. The latter can be achieved through digital literacy training delivered by bank branches, advice agencies, disability charities, and disabled people's organisations. It is much less clear how to generate a motivation to use the internet amongst disabled people. More research is needed to investigate the reasons why some disabled people do not think the internet is useful or interesting to them.

Acknowledgements

This pamphlet is based on a programme of research, conducted by Ipsos MORI's Social Research Institute on behalf of Scope, sought to explore the issues surrounding financial inclusion for disabled people. The primary research comprised a representative survey of 1,009 disabled adults aged 16+ which was carried out between 27 July and 10 August 2012 across Great Britain using a combination of the Ipsos Online Panel and three waves of Ipsos' weekly face-to-face omnibus survey, Capibus. This was complemented by secondary data analysis, which was conducted on the following large national surveys, with selected variables analysed by disabled and non-disabled respondents: Life Opportunities Survey; Understanding Society; Family Resources Survey; Wealth and Assets Survey; ONS Opinions and Lifestyle Survey; and Citizenship Survey.

For more details about this research, please see the published report published at www.scope.org.uk/financial-wellbeing

The quotes used in this pamphlet are from Scope's 'Money Matters' survey conducted between 2009 and 2010. The survey looked at the financial experiences of disabled people and families with disabled children.