Image courtesy of pfeg

ALL-PARTY PARLIAMENTARY GROUP ON
Financial Education for Young People

Financial Education in Further Education

“if you're already adults, and you don't know how to manage money, it's so difficult to learn”
- Faith Usman Ehis, age 17, Lambeth College

“all this consuming - it's a vicious cycle that never ends”
- Caroline da Costa, age 16, Christ the King Sixth Form College, Lewisham

“it's either a need or a want: I try to just ignore the wants”
- Steven Wallace Hilton, age 19, Lambeth College

Image courtesy of pfeg

APPG Report: Further Education

Group Chairman's Foreword - Justin Tomlinson MP

The All Party Parliamentary Group (APPG) on Financial Education for Young People was launched in the House of Commons on 31st January 2011. It provides a medium through which Parliamentarians and organisations can discuss the current provision of personal finance education in schools and colleges; ensure young people are equipped to make informed financial decisions; help make resources and qualifications more widely available; and support schools in the delivery of financial capability. The APPG on Financial Education for Young People is now the largest in parliament, with 225 cross-party MPs and Peers.

Further Education Strand Foreword - Duncan Hames MP

Last year's report into financial education in primary and secondary education was a comprehensive and well-received piece of work. It made a particular impact in the debate about the curriculum review, especially in relation to Maths and Personal, Social, Health & Economic (PSHE) education. In the meantime, a number of our group were surveying colleges and taking evidence from and students themselves, to better understand the need and opportunity for the application of financial education in Further Education (FE) and sixth form colleges.

We found some excellent examples of existing provision of financial education, but much evidence that it was neither consistently available across the country, nor reaching enough students. Some colleges had relied on delivering financial education through tutorial time, and changes to college funding made achieving this more challenging: but even before the changes, the potential for substantive learning through this route was always limited.

What we found was that financial education is most effectively delivered when it falls naturally within a students' core chosen curriculum, and that new curriculum-based models of financial education have the potential to reach many more students. Our key recommendation is therefore the development of a set of standards for financial education that can support high-quality teaching and learning. We would like to thank all those organisations and individuals who responded to our survey, and all those who gave oral evidence to us, some of whom travelled a long way to give us the benefit of their experience. We would also like to thank pfeg for providing an excellent secretariat, and Martin Lewis of moneysavingexpert.com for his passionate support.

Executive Summary - conclusions and key recommendations

- We recommend a set of standards for financial education that can support the development of high-quality delivery
- There is innovative provision of personal finance education around the country, but it does not reach enough students
- The reduction of entitlement funding has had an effect on the sector's ability to deliver financial education, outside of qualification-based study, through loss of tutorial time: but evidence suggests that provision was sporadic even before the funding change
- Financial education is most effectively delivered when it falls naturally within a students' core chosen curriculum. Where this is not the case there are many more challenges in achieving coverage of financial education in the student's programme. Most institutions have used tutorial or other enrichment time to provide the space to deliver such financial education. This can be of variable reach and coverage.
- New delivery models are required to achieve more substantial take-up

Terms of reference

- Establish what financial education provisions already exists, both within the curriculum, and through other activities at Further Education institutions in the UK.
- Establish what models of financial capability education are most effective in Further Education institutions, addressing such questions as how personal finance education can be made sustainable.

Inquiry committee

Nic Dakin MP
Duncan Hames MP
Mark Garnier MP
Justin Tomlinson MP
Baroness Sharp
Committee administrators
Rachel Earle, office of Justin Tomlinson MP
Kat Hodgkinson, pfeg
Ed Seed, office of Duncan Hames MP

Key questions for the inquiry

- What financial education opportunities currently exist in the Further Education sector?
- Who is involved in their delivery and support?
- What is the nature of the education they offer?
- Where are the examples of good practice?

APPG Report: Further Education

Personal finance education definition

In this report the term 'personal finance education' is defined as the programme of study which will deliver financially capable young people, who have the knowledge, skills, attitudes and behaviours to manage their money well. Personal finance education equips young people to manage their own money for their own future. Financial decisions often do not have a right answer, but depend on the preferences and circumstances of the individual making them.

Enterprise education is different from personal finance education because it is about starting and running a business. However, these two subjects complement each other because a lack of necessary personal finance skills can become a barrier to setting up in business.

Inquiry process

This report by the Further Education strand of the All-Party Parliamentary Group on Financial Education for Young People is to be read alongside the APPG's lead inquiry 'Financial Education and the Curriculum'.

That inquiry deals with personal finance education in the Primary and Secondary school systems. This report sets out to identify the distinctive circumstances of Further Education, and what these differences may mean for financial education in the sector. There has been little previous assessment or co-ordination of colleges' approaches to personal finance education, so the group began by disseminating a nationwide survey of current practice. From the survey, the group aimed to establish a catalogue of opportunities available, and to identify examples of best practice to be shared more widely.

The survey was promoted to stakeholders through the Personal Financial Education Group (pfeg) and the Association of Colleges, and received 353 responses online between June and August 2011. Following its conclusion, the survey was supplemented with four oral evidence sessions, to test initial findings against the experience and expertise of principals, student service managers and students themselves.

“not all students are the same, and every community has different needs”

The Further Education sector is very broad: it comprises general FE colleges, sixth form colleges, tertiary and specialist colleges - such as Art and Design, Agriculture and Horticulture - and adult education institutes. There are 345 colleges in England, as outlined here.

Further Education in England

- 222 general FE colleges
- 94 sixth form colleges
- 16 land-based
- 3 art, design and performing arts
- 10 specialist designated

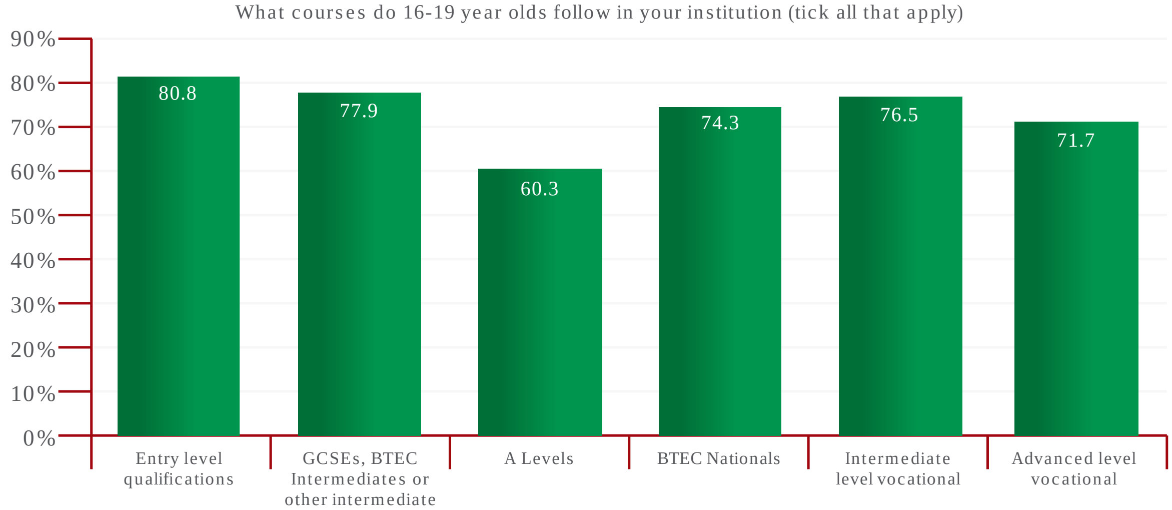
(Source: Association of Colleges)

The sector offers a range of academic and vocational qualifications, from basic training, through BTECs and A-levels, to Foundation Degree and Higher National Diplomas. Students arrive in Further Education at many different levels.

Some will have acquired a level 2 qualification in mathematics, equivalent to GCSE level, and be studying A Levels; some will have a similar qualification and be working towards a variety of vocational qualifications. Some students will have come close to acquiring a level 2 qualification in mathematics and will be working towards GCSE mathematics. Some students will not be ready to work at level 2 standard in mathematics and so will be working towards that standard.

This breadth of provisions reflected in the sector's funding and governance: the Department for Education (DfE) has responsibility for the funding of 16-19 year olds and Sixth Form Colleges, and the Young People's Learning Agency (YPLA) controls the quality assessment of provision for 16-18 year olds. For students aged 19 and over, the Skills Funding Agency (SFA) performs these functions, on behalf of the Department for Business, Innovation and Skills (BIS). Given the wide scope of most FE colleges, a typical institution can therefore end up answering to two different Departments and two different funding agencies. Local authorities also exercise a range of duties to provide further education, and institutions are inspected by Ofsted.

To avoid overlapping the work of other strands of the APPG, the Further Education group has not included school sixth forms in this survey; its scope is also restricted to provision for 16-19 year olds. Of the 1.95m 16-18 year olds in England in 2010, 39.6 per cent were studying in the FE sector - that's 771,289 students [1]. Around a fifth of these were attending sixth form colleges, and the majority general FE, tertiary and specialist colleges. The graph below shows the range of courses offered by institutions that responded to the survey.



"most young people have little concept of responsible financial management"

By the time children reach 17, more than half of them are or have been in debt. 70 per cent of the 18-24 age group are in debt[2] and research indicates that people in their 20s are the age group least capable at budgeting and picking financial products that are suitable for them.[3] In oral evidence to the group, Sandra Arnold-Jenkins of Lambeth College reported that although post-16 students are often aware of the importance of saving, the majority lack any detailed knowledge of the implications of credit cards, APR, overdrafts and interest rates.

1 Association of Colleges

2 Raynar services, 'Why do young people pay more?', 2008

3 Financial Services Authority, 'Financial capability in the UK: Establishing a Baseline', March 2006

An overwhelming majority of survey respondents - nearly 97 per cent - thought financial education should be provided in FE institutions. 84 per cent agreed that students' inability to manage their finances was a cause of failure to complete their courses.

One respondent argued that by its nature, FE often attracts “the more vulnerable learner, who needs life skills and social support in addition to their academic learning programme”. FE also reveals the impact of students' previous education, which may not have equipped them with the capabilities to deal with the challenges students increasing face - including financial responsibilities. This was borne out by the oral evidence of Graham Taylor, Principal of New College Swindon, who noted the diverse roles of his own institution:

> “like a lot of FE colleges we're playing catch-up, we're helping them through their GCSEs in English and Maths the second time around - known as retreads. But there's a lot of level threes as well - we have all levels of ability, FE colleges are renowned for that, they try to help from entry level, and this is all ages - it's also helping adults to read and write... One of our biggest contracts is with the army, helping the infantry to read, write and do Maths.”

This range of expectations presents colleges with a specific challenge: how to assess which skills to develop for which of their learners. Students will go on to experience a wide variety of pressures in independent life after college, since their aspirations may vary from basic literacy and numeracy to starting a business, or attending university. The group was interested in establishing what, if any, universal baseline level of financial competence exists - that which every student will need, regardless of their subject choices and qualification level.

“many people think financial education is important, but not all that many people do it”

The dominant theme of the inquiry evidence, both written and oral, is that there is good financial education provision going on in colleges around the country, but that it doesn't reach the vast majority of students. Colleges cater for a diverse range of students and abilities, as reflected in the following examples - first a Finance Baccalaureate being piloted at King Edward VI Sixth Form in Stourbridge[4] and second from the Lambeth College Sixth Form.

4 Example courtesy of Stella Dudzic, Programme Leader for Curriculum, MEI - Mathematics in Education & Industry

Finance Baccalaureate

A group of A Level students at King Edward VI College, Stourbridge is working to test out the idea of a possible Finance Baccalaureate. This is being partly funded by the college and the Royal Bank of Scotland with teaching materials being developed in collaboration with Mathematics in Education & Industry (MEI) and the Institute of Financial Services (IFS), with first trialling from September 2011. The teaching materials prepared by MEI cover the following topics.

- Statistical modelling and overbooking aircraft seats
- Multipliers in economics
- Inflation
- Student loans and modelling repayments
- Measuring inequality using the Lorenz curve and the Gini coefficient
- Differential equations and price elasticity of demand
- Compound interest
- Statistical modelling of stock markets
- An introduction to the derivatives market

Extract from Teacher Notes for Student Loans unit:
How much will people repay? (5 mins)
Assume that the amount borrowed for each student is £30 000. £10 000 a year, which is £6000 fees plus £4000 maintenance loan. Ask students to fill in the table below; they should make intelligent estimates of the percentages. They will be able to check their answers later. All amounts are totals paid back, given in terms of today's money (present value).

Women		Men	
Amount paid back (£)	Percentage	Amount paid back (£)	Percentage
0 - 9999		0 - 9999	
10 000 - 19 999		10 000 - 19 999	
20 000 - 29 999		20 000 - 29 999	
30 000 - 39 999		30 000 - 39 999	
40 000 or more		40 000 or more	
TOTAL	100	TOTAL	100

Students go on to use the Loan Repayment Ready Reckoner available from www.bis.gov.uk/policies/ higher-education/research-analysis to model the repayments; this leads to the following answers.

Count of Total Repayments NPV	Gender		
Total Repayments NPV	F	M	Grand Total
0-10000	24.64%	3.17%	13.93%
10000-20000	38.37%	2.73%	20.59%
20000-30000	32.15%	31.50%	31.82%
30000-40000	4.84%	62.60%	33.66%
Grand Total	100.00%	100.00%	100.00%

Students are asked to compare these percentages to the ones they estimated. Are there any surprises?

Independent Living - finance education from Lambeth College Sixth Form

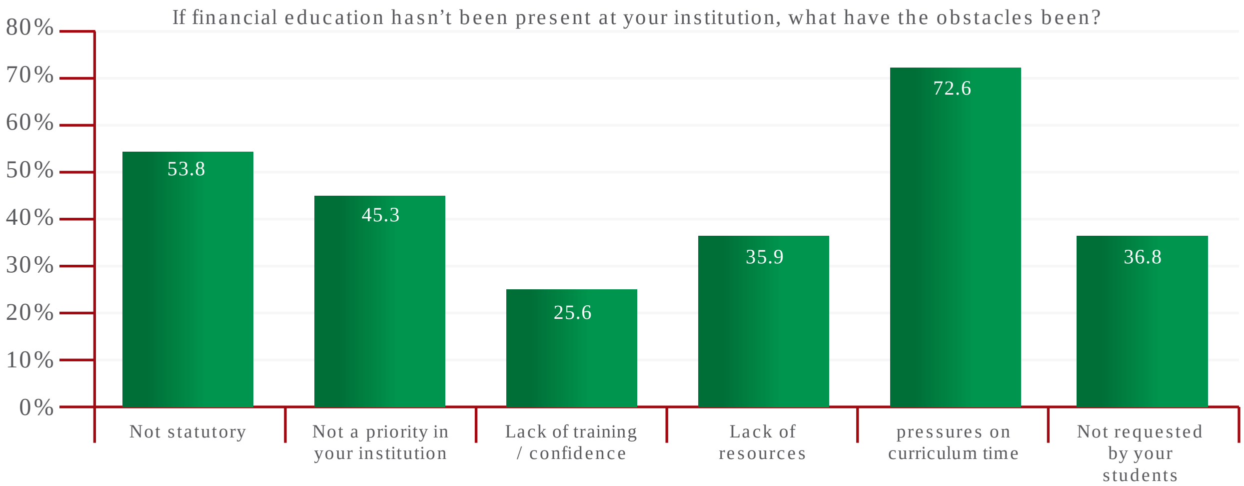
1. We have run various activities to help young people develop awareness of the cost of independent living. By giving them the task of finding a flat to rent with a friend, having calculated that they can afford £350.00 each a month and giving them a 'grant' of £500 each, they have to see what flat they can find and what they can purchase to furnish it. This can raise all sorts of issues such as, the variation of rent in different areas, what type of flat would be suitable and what is a necessity and what is a need when it comes to purchasing items on a controlled budget. Also, the idea of saving money by sharing costs, e.g. one buys the TV and the other buys the washing machine, can help them see that discussion, planning and budgeting can be a 'fun' thing. They use on-line resources so that they can see current rents and prices of household items. The next stage is to calculate a monthly budget to work out how much should be put aside for things such as utility bills and food.

2. Learning how to check what they buy and how much it will cost can be made 'fun' by role play. We developed a role play activity which is attached to a Personal & Social Development qualification for the unit on Managing Own Money. The learners work in pairs and run a ‘Role Play Café’. The customer pays by Luncheon Voucher and this helps learners work with monetary values and see the value of checking their order to ensure it is within the value of their voucher and then check they change that they would be given. This helps learners to see the value of checking expenditure and making sure that they a) have enough money and b) are charged correctly. This principle can be extended to checking bank statements and credit card bills. The role play really helps as they can each order different items on the menu and also links into other units that deal with personal relationships and social skills.

Different types of provision offered around the country

• Curriculum delivery in subjects such as economics, business and maths • 'Community Campus Programme' - open to all students to participate in. Including theme of study called Money Matters which covers debt, bank accounts, saving, VAT and comparing services. Activities available through displays, workshops and 'take it away' packs • Via enrichment provision • Via tutorial provision • Within Personal and Social Development courses, e.g 'Managing Your Own Money' unit • Financial elements in BTEC Diploma Art and Design units, delivery always integrated • Taster days and themed events, with banks and other third parties • Short modules for JobCentre Plus clients • Independent Living modules as part of ASDAN for learners with learning difficulties • Financial mentoring schemes (supports local community) • Accredited online qualifications eg ifs School of Finance • National Open College Network (NOCN) Progression Qualification • Advisors from Barclays/Money Skills Week • MoneySavingExpert.com resources • Natwest programmes/volunteers • Teacher training by pfeg

Only 56 per cent of survey respondents said their institution already teaches financial education. Lack of curriculum time was the most commonly-cited reason for non-provision, as shown in the graph below.



"we have to push them in"

Oral evidence supported the conclusion that provision was not reaching the majority of students. This is not for want of trying: colleges have taken a range of innovative approaches to ensuring that all students have the opportunity to receive financial education.

Dick Palmer, Principal of City College Norwich, estimated 45 per cent of his institution's 16,000 students had direct involvement with financial education, either through direct curriculum delivery in their chosen subjects, through external courses offered by the ifs School of Finance, or using the external resources of Barclays Money Week. This illustrates the point that even a college so strongly committed to personal finance education struggles to engage more than half of its students through existing routes - raising the question of how the remainder of the student body is reached.

Graham Taylor reported that New College Swindon has been delivering its financial education through the ifs School of Finance online qualification, encouraging students to take it up voluntarily as a way to get additional value to their regular qualifications. This programme has had some success and take-up is increasing, but still only reaches around a fifth of the college's 3000 16-18 year old students. Mr Taylor has much wider plans for the programme:

"I think the learners can see the value of it, and they can see the use of it ... I think more and more people will take this up the more we raise awareness."

Similarly, Kim Hunte, Director of Student Support and Engagement at Wiltshire College has been pursuing an innovative range of financial education, but with limited student take-up. As part of its enrichment programme, the college presents students with a 'Money Matters' theme, covering issues such as debt, credit and budgeting for independent living. This is now delivered through a Personal and Social Development (PSD) qualification made mandatory for foundation and entry level students, supplemented by displays or elective tutorials made available to all students. These are supported by resources from external institutions like local banks.

However, the 'Managing your finances' element of the PSD qualification only represents five hours' teaching of 60 hours in a year. Around 1,000 of the college's 3,800 elected to access the 'Money Matters' theme through displays or tutorials, a take-up rate of 26 per cent.

"giving them the choices and chances to create their own wealth"

A common assertion was that students are more likely to engage with financial education if its relevance to them is demonstrated directly: this is straightforward if they choose business studies, and less so if they have chosen, for example, Italian or religious studies. There was general agreement in both written and oral evidence that delivery of financial education was most successful when embedded in the curriculum of students' chosen core subjects, and that such programmes are likely to be delivered well and to a depth of understanding. Some courses - business, economics, maths - have a natural sympathy with finance, and it has a clear instrumental value in subjects that point towards self-employment or business administration - for example hospitality, tourism and the performing arts. As Dick Palmer pointed out, there is also a raft of subjects like sports science, technology and engineering to which financial education is patently relevant, but rarely appended.

Reported barriers to delivery

- No dedicated curriculum time
- Financial education is non-statutory, learners dedicate time to mandatory parts of a course
- "Staff are not experts and do not have time to become so"
- Entry Level to Level 1 students show little interest in the topic
- Resistance from colleagues/ leadership teams/ teaching assistants
- Difficult to reach all students with tutorials]

"in further education, every hour counts"

Many respondents referred to the YPLA's recent change in its funding model, which has reduced the number of annual hours' teaching of non-assessed "enrichment" subjects from 114 to 30 hours.

Many colleges reported that the change in enrichment funding has led to a cut in tutorial time, which the inquiry survey indicated was the most common method of delivering financial education - cited by 72 per cent of respondents. In response to reduced enrichment funding, two strategies seem to be emerging. One is to continue to use tutorial with a strong self-study package; the other is to move to programmes of drop-in sessions or surgeries which are optional, but can be monitored through study passports and tutorial advice.

In oral evidence, Dick Palmer noted the drop in tutorial time as one obstacle to reaching a greater number of students, since the remaining time was now used to support students' academic qualifications directly, instead of broader enrichment subjects. He estimated that his college's 45 per cent coverage may have reached around 75 per cent with the additional tutorial time, using a standard personal development programme lesson.

This point was not unanimously endorsed. Graham Taylor pointed out that his institution is "winning back" some of the lost hours by concentrating on short courses which attract funding to students, such as the ifs School of Finance qualification - with the additional benefit that they add value to students' CVs.

"I don't get this point that there is not enough curricular time.... tutorial hours have been cut, so you've got to look at this as a separate qualification-bearing study, because the qualification generates income. That's the only way you can effectively and efficiently do it."

"if you look at Level One, Level Two, it's very, very basic - savings, investments, interest, you know, it's GCSE Maths stuff ...and usually the materials are good enough for Business Studies and Maths teachers to teach: that's what we're finding, they're taking to it like ducks to water."

This demonstrates again the innovation of the sector, and other examples were submitted in written evidence. It is clear that the reduction in enrichment funding has had an impact on the provision of financial education, but it is not clear that previous provision was either comprehensive or effective. The impression left by both oral and written evidence was that best practice was not reaching very far in the years prior to this funding change. Some colleges may have considered that modest provision within tutorial time was sufficient, but even institutions heavily geared towards financial literacy and business education - like City College Norwich and New College Swindon - were not covering all their students.

"when a student has moved on, how do you know the difference you have made?"

Further Education as a sector is defined by choice and plural provision for a diverse range of needs. On the question of universal or compulsory provision, the inquiry found broad support for a set of standards for financial education, but less support for making it a mandatory subject. Several respondents noted that their institutions promoted personal finance as a core subject, alongside English, maths and IT, but the diverse nature of students' levels and needs was flagged as a potential barrier to universality.

The inquiry therefore recommends the development of a range of standards for financial education that can support the development of high-quality curriculum-related delivery. These standards should be flexible enough to be developed from a basic level - to meet current needs - to A-level in the coming years, which will allow for progression for those who have benefitted from financial education within the school curriculum.

The following appendices include a detailed example of a Level 3 exam question from the ifs School of Finance; a list of current personal finance qualifications and awards; and the raw data from the All Party Parliamentary Group's survey.

Appendices

Appendix 1. List of organisations and individuals who have given oral evidence to the inquiry

- Dick Palmer, Principal, City College Norwich
- Helen Taylor, Association of Colleges
- Kim Hunte, Director of Student Support and Engagement, Wiltshire College
- David Malcolm, Head of Social Policy, National Union of Students
- Graham Taylor, Principal, New College Swindon
- Sandra Arnold Jenkins, Tutor, Lambeth College
- Lambeth College students
  - Stella Anaman
  - Faith Usman Ehis
  - Rachelle Emanuel
  - Steven Wallace Hilton
- Shane Kelly, Senior Pastoral Manager, Christ the King Sixth Form College, Lewisham
- Christ the King Sixth Form College students
  - Jeneba Charm
  - Caroline da Costa
  - Avision Ho

Appendix 2. Sample case study information and data and question paper from Unit 3, 'Making Personal Financial Judgements', from the ifs School of Finance Level 3 Certification and Diploma in Financial Studies

Will anyone insure Stefan? - Case Study Scenario

Stefan, aged 17, is a student studying towards a National Certificate in Motor Vehicle Maintenance. Stefan has been relying on his parents to drive him to college and the garage in the next town where he has a part-time job as a car mechanic assistant.

Stefan's parents contributed £400 towards the cost of his driving lessons. He passed his driving test two months ago after spending an additional £250 from his savings, which enabled him to complete the lessons needed. When he needs money, Stefan can always borrow money from his parents.

The expenditure on the driving lessons has reduced the balance of Stefan's savings account with Northern Rock to £1,850 (earning interest of 1.90 per cent AER). He earns £6.50 per hour working eight hours every Saturday, with the opportunity to earn more if the garage is busy during the holidays.

Stefan will be 18 years old in two months and, after completing his studies, he would like to work full-time as a mechanic. He likes the idea of being able to travel and work in a range of garages across Europe.

Stefan's parents bought him a Citroen Saxo 1.4i which, despite being six years old, has been fairly reliable. Stefan does not like the thought of being stranded if the car breaks down. While learning to drive the Saxo, Stefan was insured as a named driver on his mum's insurance policy. His friend, Matt, has suggested that Stefan could just carry on driving the car full-time as the sole main driver. However, Stefan's mum has told him, that if he is going to be the main driver of the car, he now needs to take out his own insurance policy. Stefan asks you to investigate why car insurance for younger drivers may be expensive.

The Research

Car insurance premiums in the UK vary due to different factors considered by insurance companies when assessing the risks presented by the driver they are insuring. These include: age, driving experience, insurance excess payable, type of vehicle insured, annual mileage, existing ‘no claims’ discount and the history of driving accidents or convictions.

The table below highlights why insurance companies may feel that young drivers represent a higher cost to them, due to the increased likelihood of a claim being made:

Table 1: Young driver statistics – deaths and accidents

Fact	Proportion of drivers
Proportion of young drivers who will 'write off'* a car in their first year of driving	Male drivers = 33% Female drivers = 16%
Percentage of convictions for causing death by dangerous driving by drivers aged under 20	25% of total convictions
Percentage of total road users who are aged under 20	3%
Percentage of drivers under 21 who have an accident involving the loss of control of their car	25%
Number of under-25-year-olds convicted for driving without insurance in 2004	130,000 (representing more than 50% of total convictions)

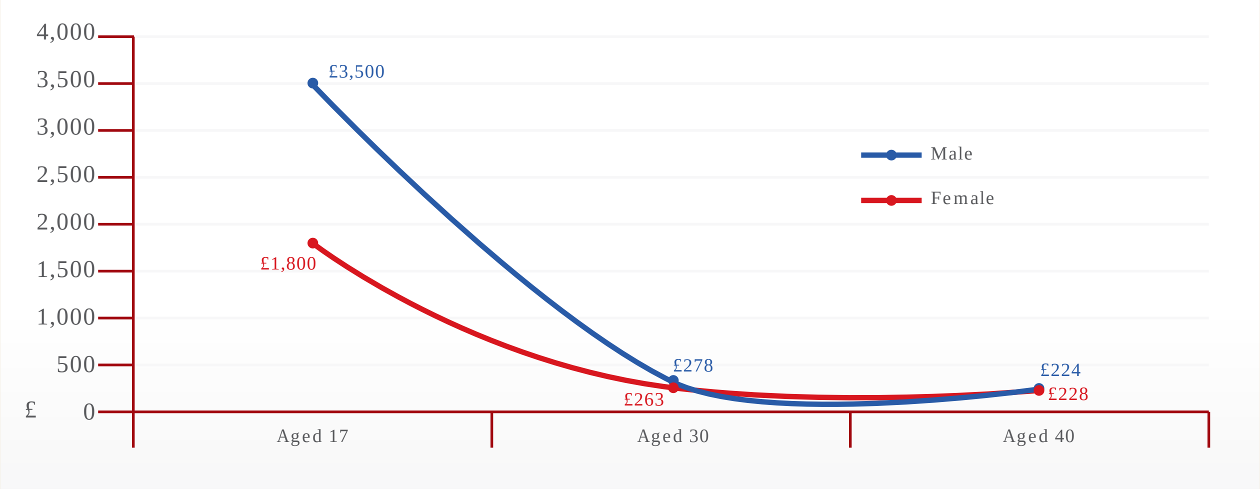
*A car is considered a write-off when the cost of repair exceeds the value of the car following an accident. Source: ('Boy racers cost all young drivers', The Daily Mail, 10 August 2005)

Laura Clout reports some further statistics regarding young drivers *"Young male drivers are the biggest cause of death of young women in Britain. Almost one in two drivers killed at night is under 25. Around 70 per cent of 17-year-old motorists drive themselves to work."* (Source: 'Driving test age will be raised to 18', The Daily Telegraph, 27 December 2007).

The effect on car insurance premiums charged to consumers

These additional risk factors result in car insurance premiums being at their highest for new 17-year-old drivers. Graph 1 shows the average car insurance premiums paid for male and female drivers at different ages.

Graph 1: Comparison of the average car insurance premiums paid by male and female consumers of different ages



Source: ('Is it fair that women should pay less for their car insurance than men?', The Observer, 9 August 2009)

Young motorists may find that they pay less for their insurance if they are a named driver on a policy for which another adult, often their parent, is named as the main driver of the vehicle, even if this is not the case in reality. This is known by the insurance companies as 'fronting' and the consequences are explained on the website moneyextra.com:

"Fronting is the term used when a young person who has a car in their own name insures it by adding their parent as the main driver and themselves as named driver. By doing this premiums can be reduced by hundreds of pounds; however, any claim is then rejected by the insurer leaving the young driver liable for potentially thousands of pounds of bills as well as criminal prosecution. If a claim is made and it's proven the policy was 'fronted' then the claim will be rejected but more importantly the driver will be seen to be driving without insurance and liable for prosecution through the courts, with the outcome being a hefty fine and 6 points, as well as the costs of the original claim." (Source: 'Avoid fronting on car insurance for young drivers', www.moneyextra.com, 3 July 2009).

Fronting is considered to be a form of insurance fraud (as the main driver of the car is not the person listed) and as Simon Read reports:

"The Association of British Insurers reported this week that the number of fraudulent claims has soared 30 per cent in the last two years to £730m a year. On top of that it estimates another £1.9bn-worth of fraudulent claims has gone undetected. The dodgy claims add an extra £44 to every household's general insurance costs every year, the ABI says." (Source: 'Can you really afford to take the risk when it comes to insurance fraud?', The Independent, 18 July 2009).

Consumers can reduce the premiums paid for their car insurance by approaching a number of insurance companies to find the most competitive quote for their insurance. This is known as 'shopping around' and can result in savings for the consumer, as illustrated below:

Table 2: The changing cost of car insurance (August 2008 to August 2009)

Increase in price of comprehensive car insurance	11%
Average renewal price of comprehensive car insurance	£778 per year
Average renewal price of comprehensive car insurance when a consumer has 'shopped around'	£526 per year
Increase in price of TPFT (third-party, fire and theft) car insurance	7%
Average renewal price of TPFT car insurance	£968 per year*
Average renewal price of TPFT car insurance when a consumer has 'shopped around'	£670 per year*
Reasons given by insurers for increasing costs of car insurance	Increased perception of risk, increasing cost of dealing with claims, unsustainable competition

*TPFT insurance is, on average, more expensive than comprehensive insurance because it's usually younger drivers who buy it. This sometimes causes anomalies in pricing where an insurer will charge less for comprehensive than third party, fire and theft to young drivers with old cars. Therefore, such drivers should always get quotes for both comprehensive and third party, fire and theft.

Source: ('Insurance premiums set to increase this year', www.lovemoney.com, August 2009)

The effect of inflation

Consumers are constantly faced with the effects of inflation as the prices of items, including insurance, generally rise over time.

A dangerous decision to make

The high cost of car insurance may cause some determined young motorists to drive with no insurance at all as BBC Radio 1's Newsbeat programme reports:

"New figures show more than one in five 17 to 20 year-olds aren't covered. Most say it's too expensive or they didn't know it was a legal requirement. According to the Motor Insurers' Bureau, which represents insurance companies, that means there are 243,000 illegal young drivers."
(Source: 'One in five young people uninsured', www.bbc.co.uk, 26 August 2009).

However, the consequences of driving without insurance or being found guilty of 'fronting' an insurance policy include being fined and having six penalty points being added to the driving licence. Drivers who incur 12 or more penalty points within a three year period could be disqualified from driving and new drivers who receive six penalty points within two years of passing their test will be made to retake the test. This may also affect their ability to get insurance in the future.

But Ashton West, Chief Executive of the Motor Insurers' Bureau which represents the insurance industry, highlights the problem facing the insurance companies: *"the cost of covering young drivers is not just down to what type of car they drive - it's normally down to the risk the driver poses on the roads. Young drivers statistically are a bad risk. They are many times more likely to have an accident."*
(Source: 'One in five young people uninsured', www.bbc.co.uk, 26 August 2009).

Question 1

1.1. Investigate the advantages and disadvantages to consumers of seeking advice regarding the best car insurance policy from a whole-of-market insurance adviser compared to an employee of an insurance company such as Churchill.

1.2. Analyse how the cost of purchasing car insurance changes over the course of a consumer's lifetime.

Note: Your analysis should include consideration of both the bullet points below:
- Figures included in the case study, using your own calculations, to demonstrate the changes; and
- Reasons for the difference in cost for consumers of different genders and age groups.

1.3 "*The Association of British Insurers reported this week that the number of fraudulent claims has soared 30 per cent in the last two years to £730m a year. On top of that it estimates another £1.9bn-worth of fraudulent claims has gone undetected. The dodgy claims add an extra £44 to every household's general insurance costs every year, the ABI says.*" (Section 1 line 61 of the case study material).

Analyse the impact of the increase in fraudulent insurance claims on consumers' ability to purchase car insurance.

Note: Your analysis should included both of the bullet points below:
• The effect on consumers with different circumstances that may affect the premiums they pay; and
• Why insurance providers might make changes to the premiums charged for car insurance.

1.4 Evaluate the three solutions shown in the Product Table below and recommend the most appropriate solution for Stefan.

Note: You are required to fully justify your recommendation and your answer should take into account all of the bullet points below:
• Stefan's personal circumstances and objectives;
• The different features of the three car insurance policies; and
• Changes in the rate of inflation or other relevant factors.

Product Table

	Endsleigh Car Insurance	Quinn Direct Car Insurance (1)	Quinn Direct Car Insurance (2)
Insurance type	Third party, fire and theft	Fully comprehensive	Third party, fire and theft
Premium payable	£2,277	£2,899	£2,399
Timing of payment	Annual or monthly payment	Annual or monthly payment	Annual or monthly payment
Policy excess	£100 payable in the event of an accident	£250 payable in the event of an accident	£250 payable in the event of an accident
Cover limitations	Annual mileage must not exceed 6,000 miles	None	None
Additional features	Insures the car to be driven in Europe for up to 90 days	Breakdown assistance, windscreen cover and provision of a courtesy car included. Discount available if you have been a named driver on another policy	Breakdown assistance included. Discount available if you have been a named driver on another policy.
Important terms and conditions	Premium can be paid monthly by no direct debit at no extra cost Additional aspects of covers available (cost for one year): Legal cover = £24.90 Windscreen cover = £17.90 Keycare policy = £12.50	Legal protection available for an additional £18 per year. Premium can be paid monthly by an initial deposit of £633.56 plus 10 instalments of £245.81	Legal protection available for an additional £18 per year. Premium can be paid monthly by an initial deposit of £511.97 plus 10 instalments of £204.75

Appendix 3. List of current personal finance qualifications

Specific qualifications and awards offer a further route to developing financial capability

Qualifications and awards for personal finance education have grown in recent years. They offer another vehicle that teachers can add to a full portfolio of approaches for developing financial capability in their students.

The table below lists qualifications that are centred upon personal finance. Qualifications that are accredited by the Office of the Qualifications and Examinations Regulator (Ofqual) have an accreditation number and are part of the National Qualifications Framework. They are also listed by this number on the Register of Regulated Qualifications (RRQ), found at www.accreditedqualifications.org.uk, and which can be searched for details of all qualifications accredited by the regulators of external qualifications in England (Ofqual), Wales (DCELLS) and Northern Ireland (CCEA).

There are other qualifications which are wider in scope but contain units on personal finance, such as qualifications in life skills, personal, social, health and economic education and applied numeracy. These can be found by using the sector subject area advanced search on the RRQ (many of these come under the code 14.1 - Foundations for Learning and Life).

Level	Accreditation number	Qualification title	Guided Learning Hours	Awarding Body
Entry 3	600/1797/1	Entry Level Award in Demonstrating Enterprise Skills	30	NCFE
Entry 3	600/1798/3	Entry Level Award in Exploring Enterprise Skills	10	NCFE
1	500/9896/2	ifs Award in Personal Finance	70	ifs School of Finance
1	100/3558/8	Certificate of Personal Effectiveness	120	ASDAN
1	600/0825/8	Level 1 Award in Economic Wellbeing and Financial Capability	52	NOCN
1	600/0445/9	Level 1 Certificate in Economic Wellbeing and Financial Capability	112	NOCN
1	500/8444/6	Level 1 Award in Demonstrating Enterprise Skills	50	NCFE
1	500/8446/X	Level 1 Award in Exploring Enterprise Skills	10	NCFE
1	500/8624/8	Level 1 Award in Personal Money Management	30	NCFE
1	501/0524/3	Level 1 Foundation FSMQ: Money Management	60	AQA
1	500/8224/3	Level 1 Award in Money and Finance Skills	58	Edexcel
1	500/7233/X	Level 1 Award in Managing Personal Finance	20	Ascentis
2	500/9897/4	ifs Certificate in Personal Finance	115	ifs School of Finance
2	100/3559/X	Certificate of Personal Effectiveness	120	ASDAN
2	600/0444/7	Level 2 Award in Economic Wellbeing and Financial Capability	48	NOCN
2	600/0446/0	Level 2 Certificate in Economic Wellbeing and Financial Capability	104	NOCN
2	500/8445/8	Level 2 Award in Developing Enterprise Skills	40	NCFE
2	500/8443/4	Level 2 Certificate in Developing Enterprise Skills	130	NCFE
2	501/0521/8	Level 2 Higher FSMQ: Financial Calculations	60	AQA
2	500/8258/9	Level 2 Award in Money and Finance Skills	58	Edexcel
2	500/9895/0	ifs Level 2 Award in Personal Financial Planning	30	ifs School of Finance
2	501/0047/6	ifs Level 2 Certificate in Personal Financial Planning	110	ifs School of Finance
3	100/3560/6	Certificate of Personal Effectiveness	150	ASDAN
3	501/0049/X	ifs Certificate in Financial Studies	150	ifs School of Finance
3	501/0048/8	ifs Diploma in Financial Studies	330	ifs School of Finance
3	500/7714/4	BTEC Level 3 Certificate in Personal and Business Finance	180	Edexcel
3	500/7712/0	BTEC Level 3 Subsidiary Diploma in Personal and Business Finance	360	Edexcel

Appendix 4. Awards

Awards are not the same as qualifications. Awards are offered at different levels and schools can use awards to contribute towards a recognised qualification. For example, ASDAN's Personal Finance Award carries no points as a standalone award. However, if used as the curriculum content of the Certificate of Personal Effectiveness (CoPE) it is a qualification with points. More information is available from specific awarding bodies.

The Network for Accrediting Young People's Achievement (NfAYPA) lists many non-formal education award schemes. These are designed to accredit the skills and competencies of young people, and in many cases are specifically targeted at 'hard to reach' or underperforming young people. They offer a means of accrediting the achievements that many young people undertake as part of their everyday lives, which can often lead learners to access more formal learning opportunities.

Level	Award title	Guided Learning Hours	Awarding Body
Multi level: Entry to Level 3	Personal Finance Award (Note: pfeg Quality Mark accredited)	up to 60	ASDAN
Multi level: Entry to Level 3	Financial Awareness Youth Achievement Award	60-120	UK Youth

Updated October 2011.
See www.accreditedqualifications.org.uk for the most up to date qualifications information.

Appendix 5. Survey data

Inquiry into Financial Education in Further Education

Institution type

Answer Options	Response Percent	Response Count	Percentage of total respondents
Further Education College	78.2%	276	78.0%
6th Form College	11%	39	11.0%
Work-based learning institution	10.8%	38	10.7%
Other (please specify)		35	9.9%
answered question		353	99.7%
skipped question		1	0.3%

Do some of your students leave your institution before completing their course because they are unable to manage their finances?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	84%	258	72.9%
No	16%	49	13.8%
Comment		65	18.4%
answered question		307	86.7%
skipped question		47	13.3%

Does your institution teach financial education?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	56%	172	48.6%
No	44%	135	38.1%
answered question		307	86.7%
skipped question		47	13.3%

If financial education hasn't been present at your institution, what have the obstacles been? (tick all that apply)

Answer Options	Response Percent	Response Count	Percentage of total respondents
Not statutory	53.8%	63	17.8%
Not a priority in your institution	45.3%	53	15%
Lack of training/ confidence	25.6%	30	8.5%
Lack of resources	35.9%	42	11.9%
Pressures on curriculum time	72.6%	85	24%
Not requested by your students	36.8%	43	12.1%
Other (please specify)		13	3.7%
answered question		117	33.1%
skipped question		237	66.9%

In your institution, which method/s are used to teach financial education? (tick all that apply)

Answer Options	Response Percent	Response Count	Percentage of total respondents
Peer to peer mentoring	13.4%	20	5.6%
Tutoring	72.5%	108	30.5%
Help from someone from the financial sector /volunteers from a local bank or building society	34.9%	52	14.7%
Class teaching	64.4%	96	27.1%
Other (please specify)		25	7.1%
answered question		149	42.1%
skipped question		205	57.9%

Do you use expertise provided by public bodies/ financial services/ voluntary sector in your institution?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	42.3%	63	17.8%
No	57.7%	86	24.3%
answered question		149	42.1%
skipped question		205	57.9%

Do you consider that financial education is most effectively taught as a separate unit of work or planned in an integrated way within other topics? (Tick the one option you think is most effective)

Answer Options	Response Percent	Response Count	Percentage of total respondents
Separate	22.1%	33	9.3%
Integrated	51%	76	21.5%
Themed days or weeks	26.8%	40	11.3%
answered question		149	42.1%
skipped question		205	57.9%

Have you, or any other tutors in your institution, received training/advice on including financial education in your teaching?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	21.2%	54	15.3%
No	78.8%	201	56.8%
If yes, who supplied the training?		41	11.6%
answered question		255	72%
skipped question		99	28%

Do you think personal finance education should be provided in further education institutions?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	96.9%	247	69.8%
No	3.1%	8	2.3%
Comments	49	13.8%	
answered question	255	72%	
skipped question	99	28%	

How can/ could the teaching of financial education be made sustainable in your institution? (tick all that apply)

Answer Options	Response Percent	Response Count	Percentage of total respondents
Availability of high quality teaching resources	65.6%	158	44.6%
Availability of high quality student resources	59.3%	143	40.4%
Training and CPD courses	69.3%	167	47.2%
Support from colleagues and senior staff	44.4%	107	30.2%
Dedicated curriculum time	70.1%	169	47.7%
Externally accredited courses	44.4%	107	30.2%
Help from someone from the financial sector/ volunteers from a local bank or building society	58.9%	142	40.1%
Other		18	5.1%
answered question		241	68.1%
skipped question		113	31.9%

Is financial education in the development plan at your institution?

Answer Options	Response Percent	Response Count	Percentage of total respondents
Yes	16.9%	41	11.6%
No	23.1%	56	15.8%
Unknown	59.9%	145	41%
answered question		242	68.4%
skipped question		112	31.6%

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