

Financial services and young adults: Do they care (and how could we get them to care more)?

**Held Tuesday, September 13, 2011, from 6:30 – 8:15pm
at Armourers' Hall, 81 Coleman Street, London, EC2R 5BT**

A panel of 18 young people, ranging in age from 17 to 26, joined us to discuss their views on financial services and how they used them. Although we did aspire to attract a diverse group, the reality was that all but one of our panellists had been to (or was currently attending) university and he owned his own business. Nevertheless they provided a fascinating insight into the ways in which the provision of financial services to the young has changed (or not) and the impact that the drive for financial literacy had made.

To get a sense of the financial position of these young people, the discussion began with a few basic questions – how many of them had a student loan, an overdraft, a credit card, a PayPal account etc. For most of the panel, student loans made up the majority of their current debt. Most of them were not, however, concerned about that debt and felt that over the course of their career it would not be significant. Surprisingly, only a few speakers on the panel had a credit card and only one had actually run up a significant credit card debt (which she had since settled). Also, only a few had (or had had) an overdraft. And of those that had set up a PayPal account, and it was not the majority, it was to pay for particular types of online purchases, with one speaker noting that it was an inconvenient system.

It was also quite interesting to note that, contrary to what we had expected when putting together the round-table; the ways in which they accessed financial services were fairly traditional. In response to a number of questions from the audience, it became clear that they preferred banks that had a physical presence on the high street. Many of us had, incorrectly, anticipated that young people would have far different attitudes, in comparison to older generations, to accessing, for example, their accounts, online or to opening up accounts with an online bank.

Most noted that trust was a key issue in deciding where to open their accounts. They were most comfortable with a brand with which they were familiar. In response to a question as to whether or not they would feel comfortable opening an account with a company like Google (should it open a bank), most agreed that they would, provided it had a physical presence. One panellist noted that Google was the type of company he would happily deal with based on past experiences.

They were quite a few questions from the attendees as to whether or not the panel would be happy to use mobile phones to make payments or to access their accounts. Again, contrary to what many in the audience may have anticipated, most

were reluctant to do so, noting security issues as the main reason. One attendee asked, if security were guaranteed, whether or not that would make the panellists more likely to use their phones to carry out transactions. There seemed to be very little appetite to use their mobiles in that way, with one panellist noting that she would rather use her laptop from home to access her bank account or, preferably, to go to a branch. Debit cards and branch banking certainly seemed to be alive and well amongst our speakers.

A number of questions centred on how they had chosen their current bank and if they had ever switched accounts. Ethical considerations were only a factor for one of the young people (who had opted for an account with the Cooperative Bank) with most stating that they did not have enough money to factor ethical considerations into their decision-making, i.e. it was considered to be a luxury rather than a guiding principle. One of the panellists said that she would like to care but didn't.

Also interesting was the fact that very few of the panel had ever changed bank. Most had opened up an account at school and had never given any thought to changing, with the majority being satisfied or very satisfied with their current bank. In terms of their initial decision, many had responded to an incentive (a number had opted for a bank that provided a free young person's railcard) or had relied on family members for advice. Most would require some sort of incentive to move and had given very little, if any, thought to what 'free banking' meant. What they clearly were not doing was searching online (or elsewhere) for better offers.

Many questions focused on the level of financial literacy. The entire panel felt that they had had little or no financial education, either at school or university but would have welcomed it. The majority relied on family for information, though a few of our panellist were involved with a financial literacy charity. Most, for example, were not familiar with the NEST scheme, nor had they given much thought to pension planning. One exception was the panellist who had chosen his current job partly based on the pension plan that was offered. One speaker noted that he was more concerned with paying off his current (student) debt before he would consider saving.

In terms of their future worries, many on the panel were concerned about when they would be able to afford a home. There was some discussion about how the age at which people purchased their first home had risen. Though, it must be noted that given the time required for a university education plus, perhaps, a gap year or even an additional year taking up internships, it would be surprising if the panel were to become homeowners in their early 20s. That said, it clearly weighed heavily on the mind of many of the young people and illustrated that the desire for home ownership remains strong; with most citing creating a home or the fact that renting felt like 'throwing their money away' as the prime motivating factors.

What emerged, based on those that participated, was that young people are fairly conservative when it comes to financial services. But, perhaps, that is not surprising given that, in general, their financial needs at this point in their lives are fairly simple and straightforward. Most people learn as they need to and it would indeed be more surprising if the young people on our panel had an extensive knowledge of mortgages or pensions, well before they generated an income that left enough after rent and other expenses to give it much thought. Improved financial education would certainly strengthen their current decision-making and prepare them for the more complex decisions to come.

Clearly, however, the image of young people that perhaps many of the audience had prior to the round-table (images of a mobile-phone-wielding youngster checking her account, paying her bills, shopping online and running up large credit card debts whilst chatting with friends in a local café) was likely to have been altered. Most, for example, still used cheques and banked at the same group of financial institutions as their parents and were as likely as them to stick with their banks.