

Submission on the Retail Banking Review

Submitted to the Department of Finance

July 2022

Introduction

We are the National Adult Literacy Agency (NALA), a registered charity with 2,300 members. We believe literacy is a human right. We are committed to making sure people with unmet literacy, numeracy and digital literacy needs can fully take part in society, and have access to quality learning opportunities that meet their needs.

Some people have their **literacy needs met**; others do not.

This can be for **many reasons**.



NALA welcomes the opportunity to contribute to the Retail Baking Review.

What do we mean by literacy, numeracy, digital and financial literacy?

Literacy, numeracy and digital literacy skills enable people to reach their full potential, be active and critical participants in society and help address poverty and social exclusion. These life skills allow us to participate in, and make sense of, the world. Financial literacy is the ability to understand how money works: how you make, manage and spend it.¹

Literacy, numeracy and digital literacy needs in Ireland

Unmet literacy, numeracy and digital literacy needs are not a given in our society. They arise because of educational and wider structural inequalities.

The most recent adult literacy survey² showed that:

Adult Literacy Survey results	Number of adults
<ul style="list-style-type: none">One in six (18%) adults (aged 16 to 65) struggle with reading and understanding everyday text. For example, reading a bus timetable or understanding medicine instructions.	554, 946
<ul style="list-style-type: none">One in four adults (25%) has difficulties using maths in everyday life. For example, basic addition, working out a bill or calculating percentages.	793,666
<ul style="list-style-type: none">42% of adults struggle with basic digital tasks.³ For example, they find looking up a website or sending an email difficult.	1,302,108

¹ NALA (2022) www.nala.ie/financial-literacy/

² CSO (2013). [PIAAC 2012](#) Programme for the International Assessment of Adult Competencies: Survey Results for Ireland

³ Note that the majority of people who have digital literacy needs have underlying literacy issues.

Financial literacy, numeracy and digital literacy needs in Ireland

A 2021 survey found that financial literacy rates in Ireland are almost 20% lower when compared with other Northern European countries with only 55% of people in Ireland understand 3 out of the “big 4” financial concepts, which include: Diversification, Inflation, Numeracy and Compound Interest. The survey also found that financial literacy rates among the 18-44 age group are 20% lower than the 45-64 age group.⁴

Financial literacy is linked to a number of other issues such as financial resilience, financial wellbeing, financial capability and financial exclusion.

Supporting unmet literacy, numeracy and digital literacy needs

In September 2021, the Department of Further and Higher Education, Research, Innovation and Science (DFHERIS) published the [10-year Adult Literacy, Numeracy and Digital Literacy Strategy](#).

As part of this new strategy, we hope to see more literacy learning opportunities, the removal of barriers and availability of financial and care supports for participation in adult literacy learning to enable adults to progress their personal and professional development.

We would also like to see Government develop a financial literacy strategy as part of or in line with the 10-year strategy.

⁴ Moneysherpa (2021). <https://moneysherpa.ie/financial-literacy-survey-data/>

NALA comments on the Retail Banking Review

In relation to the review of banking, NALA would like to comment on the following questions:

Retail banking services sector

Question 1:

Banks and other stakeholders are expecting the retail banking sector to go through a period of significant and rapid change, including greater use of fintech, over the next 10 years.

a) Is the retail banking sector currently meeting the needs of consumers and SMEs? **No**
Please explain the reasons for your answer.

The sector is not currently fully meeting the needs of adults with unmet literacy, numeracy and digital literacy needs, which in turn affect financial literacy capability.

This is due to a number of reasons:

1. Lack of awareness amongst financial service providers of the extent of the adult literacy, numeracy and digital literacy issue. One in six adults in Ireland may struggle with reading and understanding what changes in banking services are required of them.
2. The rapid move to digital services has meant that many adults with unmet needs have not been able to engage with online services.
3. Certain groups have experienced greater barriers – these include people from the Traveller Community and people with no or limited educational qualifications.

b) What changes do you expect to see in the retail banking sector in the coming 10 years?

We expect to see more changes in the services and how they are offered to customers – for example continued move to online services. This means we need the retail banking sector to design new and updated services using a literacy-friendly approach, as well as adults having the opportunity to improve their literacy, numeracy, digital and financial literacy skills.

c) Please compare the type of sector resulting from the changes you foresee in Question 1(b) to the type of sector you believe needs to exist so that it is fit-for-purpose, treats consumers and SMEs fairly, and that it serves the needs of society and the economy.

We would like to see financial service providers deliver services in an **accessible and literacy-friendly way** to be inclusive to people with unmet financial literacy, numeracy and digital literacy needs. A literacy-friendly organisation includes and respects its staff and its customers. It takes account of people with unmet literacy needs and encourages commitment across the entire organisation to remove literacy-related barriers to access, participation and achievement.

They can do this by:

- using a simple service design,
- providing services in plain language, and
- ensuring that customers have confidence in completing operations and are aware how and where to ask for assistance.

Question 2:

Given the extent to which banks are implementing material changes to their business models and service delivery, in your opinion, have these changes been implemented with a satisfactory customer-focus? **No**

Please explain the reasons for your answer.

While some financial services are aware of unmet literacy, numeracy, digital literacy and financial literacy needs, we need greater awareness of the issue among all staff (not only front facing but also IT and staff designing services). We also need greater promotion and action on how to use a literacy-friendly approach.

If you have answered “no”, please outline the measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to address the issues you identified.

The retail banking sector should consider these actions:

- **New measures** to help customers work online. Services should put measures in place to support customers, particularly vulnerable customers, to transition from offline to online financial services.
- Engaging in **collaborative research** on accessible and literacy-friendly online services.
- Using **universal design principles** to make their services
 - a) more responsive to all customers’ needs, irrespective of their particular identity; and
 - b) easy to use using accessibility aids and without having to disclose a particular need where possible.
- Using a **consistent approach** to support and build customer confidence by using standard:
 - a) language and terms (based on plain language)
 - b) ways of displaying key information (examples: how in progress transactions, APR and compound interest shown on bills and account statements)
 - c) layouts of apps and asking for similar information with the same format and order
 - d) simple login systems (as regulations allow)
- **Training for staff on financial literacy and exclusion** to be integrated into the Human Resource (HR) policies of financial service providers.
- **Training and instruction materials for the public** for using online banking services should be made available in plain English, through video guides and audio guides, and accessible for the identified vulnerable groups.
- Maintain and develop **customer phone supports**, in particular to support people who are reluctant to engage online for example - older age groups and people in rural areas with poor internet connections. This could include setting up easy to access **anti-fraud helplines**.

Branch services

Question 4:

The significant shift from physical banking to the use of technology has seen the closure of a material number of bank branches. In your opinion, have the actions taken by the banks to mitigate the impact of branch closures on delivery of services to consumers and SMEs been satisfactory? Yes and No

Please provide reasons for your answer.

The closure of bank branches has had an impact on adults with unmet literacy, numeracy and digital literacy needs, which in turn affect financial literacy capability.

Based on recent research by NALA (to be published later in 2022) there has been an impact of the changing service landscape (staff reduction, branch closures, digitalisation). Some of these have been positive, such as people using banking apps meant they increased their ability to access financial information.

However for some, there were challenges: Some participants with low incomes and unmet digital literacy needs felt that the move of payment systems to digital methods impacted on their ability to manage their household budget through reducing their control over spending on bills. So while the technology is trying to support this, for some there may need to be additional supports offered.

If your answer is “No”, please outline the measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to address the issues you identified. Where appropriate, please distinguish between consumers and SMEs in your response.

Financial institutions could:

- offer a support meeting with the customer to go through the information, new service to support whatever the new arrangement is.
- work closer with vulnerable communities to support them with changes.

The **Government and regulators** could:

- ensure the customer has and is aware of their right to accessing services
- run a national public awareness campaign on these rights.

- make easier (if necessary) and promote how and where to complain if you are not meeting service need.

The **Further Education and Training sector** could:

- develop and deliver a financial literacy course module using television, radio, online, print and face-to-face supports.

Consumer credit

Question 12:

Credit can play a pivotal role in the lives of consumers. It is therefore important that consumers have good access to credit, appropriate levels of consumer choice, whilst also being protected from over indebtedness. In your opinion:

- a) Is there adequate access to and availability of credit from the retail banking sector (including appropriate product choice) to meet the needs of consumers? N/A
- b) What are the main risks to consumers in the area of consumer credit?

For both (a) and (b) above, please explain the reasons for your answer. Where you have identified issues, please outline the measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to address the issues you identified.

We know that poor financial literacy can cause many people to become victims of predatory lending, make poor financial decisions, resulting in bad credit or having large amounts of debt.

One risk to consumers with unmet literacy, numeracy, digital and financial literacy needs is struggling with reading and understanding clearly what are the terms and conditions of credit. For example has the service provider:

- explained the terms and conditions to the person in plain language (written and spoken)
- given them written information that is clear and in plain language
- gone through the information with the person and asked them if they understood it

Question 15:

As different providers in the retail banking sector have different fee structures and charges, it may be possible to make savings by switching current/payment accounts. Research previously found that switching rates in Ireland were very low. In your opinion, are there measures that could be taken by the firms in the retail banking sector, Government, regulators or other relevant stakeholders to increase the level of switching? Yes

Please explain the reasons for your answer.

NALA research in 2009 showed that the majority of people (89%) would prefer if banks used less financial jargon and more plain English in their communications. The research also found that over a fifth of respondents would switch financial institution if they provided their information in a more user-friendly manner.⁵

We recommend that the retail banking sector uses standard:

- a) language and terms (based on plain language)
- b) clear and simple processes (as regulations allow)

If you consider that the Central Bank's Code of Conduct on the switching of payment and current accounts should be amended, please outline the changes you would propose.

We would like to see the Code of Conduct and related materials and guides written and communicated using plain language guidelines. The [Customer Communications Toolkit for the Public Service](#) and [NALA's Writing and Design Tips](#) are useful resources for this.

We would also like to see a public awareness campaign that explains how to switch and offer a support line for the public.

About You

1. What is your name? Helen Ryan
2. What is your email address? hryan@nala.ie
3. I am responding as: A representative of an organisation
4. Organisation name: **National Adult Literacy Agency (NALA), Ireland.**

⁵ NALA (2009) Financial literacy – improving understanding, creating opportunity

The National Adult Literacy Agency (NALA) is a charity and membership based organisation. We work to support adults with unmet literacy, numeracy and digital literacy needs to take part fully in society and to have access to learning opportunities that meet their needs. NALA does this by raising awareness of the importance of literacy, doing research and sharing good practice, providing online learning courses, providing a tutoring service and by lobbying for further investment to improve adult literacy, numeracy and digital literacy skills.

National Adult Literacy Agency (NALA)

Sandford Lodge
Sandford Close
Ranelagh, Dublin 6
D06 YF65

Websites:

nala.ie
learnwithnala.ie

Phone: 01 412 7900

Email: info@nala.ie

Freephone: 1 800 20 20 65

f [nalairland](https://www.facebook.com/nalairland) **t** [@nalairland](https://twitter.com/nalairland)

Registered Charity Number: 20020965

Charity Number: 8506

Company Number: 342807

NALA 
National Adult Literacy Agency
Áisíneacht Náisiúnta Litearthachta do Aosaigh



Rialtas na hÉireann
Government of Ireland



Có-mhaoinithe ag an
Aontas Eorpach
Co-funded by the
European Union

SOLAS
learning works

Adult Literacy is co-funded by the Government of Ireland and the European Social Fund.