

Financial Capability – A London Summary

Early in 2007 the UK Government announced an independent review to look into ways in which the public in general, but particularly the most vulnerable, could gain better access to financial advice and thus avoid the worst consequences of poor financial decision making. Otto Thoresen, a Chief Executive within the Finance industry and an advocate of generic financial education to enable people to make better decisions chaired the review. As part of the Thoresen review, Experian, a company dealing in information, particularly well known for data on credit scores, produced a report giving information on availability of actual and potential suppliers of generic financial advice, and investigating the level of need for financial advice in areas across the country. This *Update* presents the data for London from an updated version of the Experian dataset.

The key strengths of the dataset in the context of social exclusion research are as follows:

- among the key drivers of the data are: the presence of children, financial stability and a measure of poverty;
 - it gives a gradient, so identifying the most vulnerable, but also those who are still in need but not picked up by other datasets;
 - it gives information at individual postcode level, so for a group of just a few addresses.
- This makes it easier to distinguish those in need where, as in so much of London, they are very close to those who are more financially secure.

Experian designed a statistical model based on profiling certain characteristics of the adult population. A sample of the adult population was used to identify twelve segments of the population, divided by their financial awareness and security and other information was used to create the model so that the findings could be applied across the whole population and used to derive a geographical distribution of financial vulnerability. The driving factors in the model are a measure of relative poverty, a measure of financial instability, the presence of children/families and the level of investments. Experian then used its vast database of real, inferred and modelled information about the adult population of the UK to assign each postcode in the UK to one of these segments.

The segments are numbered from 0 (the most financially aware and secure), to 11 (the most financially vulnerable) and can be grouped into four clusters. Segments 0-1 are the most financially aware, have the highest level of investments and the lowest need for generic financial advice. Around 5.6 million adults fall into this cluster. Segments 2-5 are reasonably financially aware and encompass around 20 million adults. The next cluster, covering segments 6-8 are described¹ as “generally good at keeping track of money and many have savings”. More than half of this group own their homes and less than 20 per cent live in areas with high levels of multiple deprivation. Almost 12 million adults fall into this cluster. The remaining cluster, those falling into segments 9-11, includes around 7.5 million adults. People in this cluster “share multiple drivers of vulnerability and can therefore be described as the group with “high vulnerability”. They lack access to commercial providers [of financial advice], have limited savings or protection products and run into difficulties making ends meet”. Less than one in five owns their home and half of this cluster live in areas with high levels of multiple deprivation.

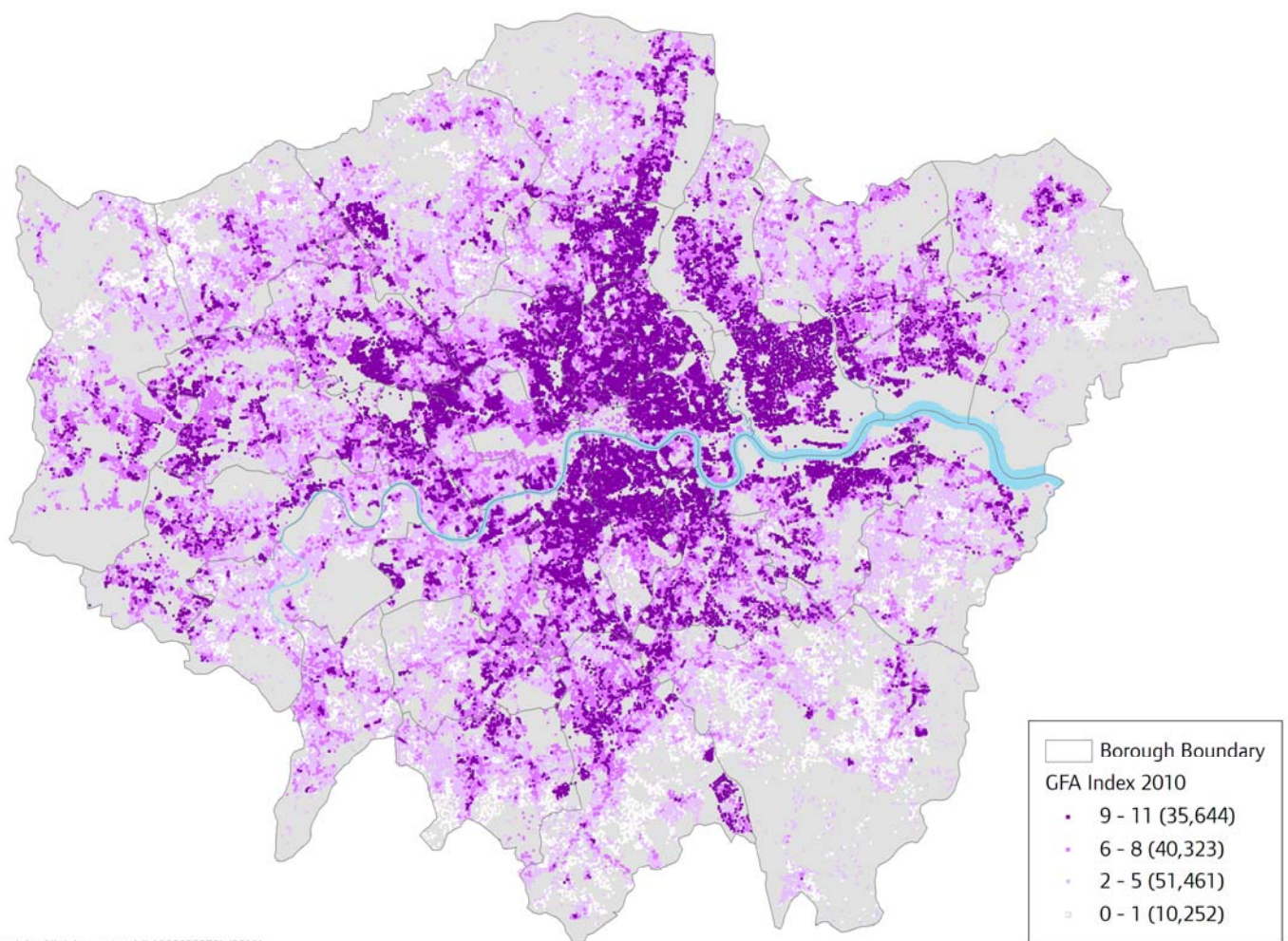
¹ In the Experian report, published in Annex 7 of the Thoresen Review final report
http://collections.europarchive.org/tna/20100104185645/http://www.hm-treasury.gov.uk/d/thoresen_annex7.pdf

Pen portraits, profiling the adults falling into each of segments 6-11 were also produced by Experian as part of their report.

The original (2008) Experian data have been used particularly in by the London Delivery Group working on child poverty needs assessments and strategies.

Map 1 shows the data for London at postcode level, giving the cluster of the postcode. A postcode is represented by a coloured dot on the map – the darker the dot, the more vulnerable. Each postcode is given a score or segment according to the prevalence of segment scores of adults or households within that postcode. Non-residential addresses are not included in the dataset, and these, along with areas with no postcodes, such as areas of parkland or water, are shaded grey. There are also a number of postcodes for which there were no data, and postcodes in the dataset for which there was no match in the GLA postcode file, so could not be mapped.

Map 1: Financial Capability Cluster by Postcode, London 2010.



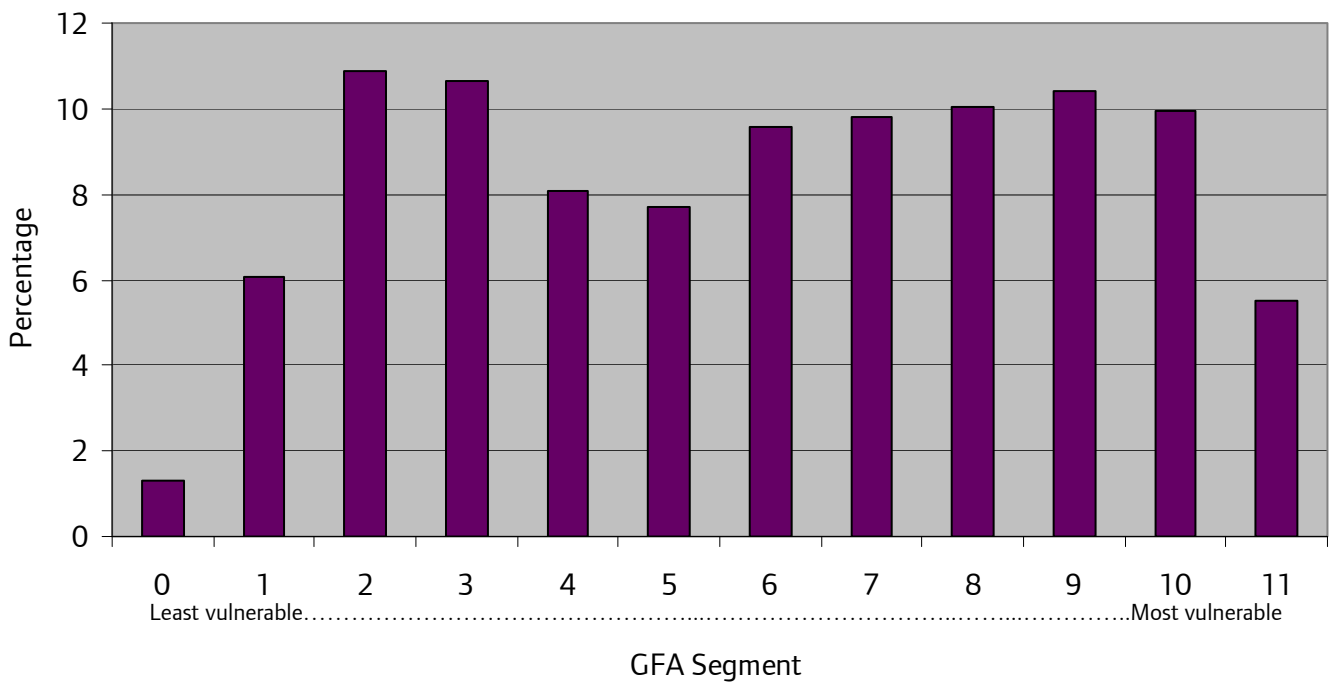
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Source: Financial Capability data, Experian, 2010

In general, this map shows similarities to other maps of poverty, need or deprivation, such as those from benefits data or the Indices of Deprivation, with large concentrations of the most vulnerable in an arc from Newham, through Tower Hamlets, Hackney and Islington into Haringey, and south of the Thames in Lambeth, Southwark, Lewisham and parts of Greenwich, as well as the pockets in north

Westminster/Kensington & Chelsea and parts of Brent. However, the geographical detail in this map shows that there are more isolated pockets of people in need in otherwise generally affluent areas, such as Ruislip, Hampton and Orpington. It is clear from this map that more than half of residential postcodes in London fall into the categories considered vulnerable and would benefit from better availability of financial advice.

Chart 1: Distribution of Financial Capability Segments in London by Unit Postcodes, 2010

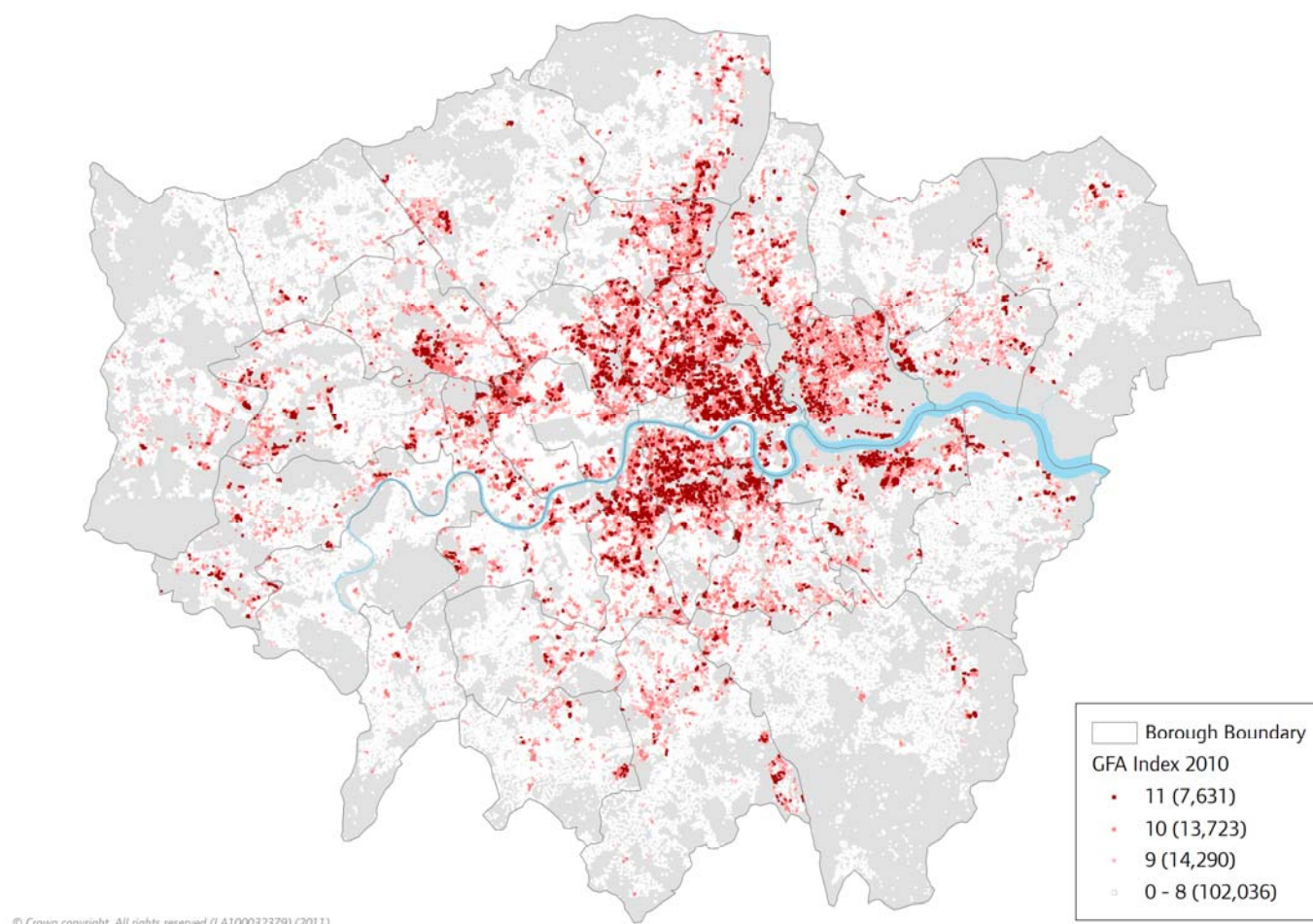


Source: Financial Capability data, Experian, 2010

Chart 1 shows clearly that, within London, there are more postcodes categorised at the most vulnerable end of the spectrum than at the least vulnerable end, and that although the largest segments are towards the less vulnerable end, overall, there are more postcodes in the more vulnerable segments than the less vulnerable ones. The distribution has two peaks, with fewer postcodes falling into the middle of the range than to either side of the middle.

Map 2 shows a breakdown of the most vulnerable cluster from into the individual segments. Again, the darker colour represents the most vulnerable. This enables focussing on the most vulnerable, even within an area, such as Edgware, shown as in the most vulnerable cluster in Map 1, to the parts of the area that are the most vulnerable.

Map 2: Financial Capability Segment of the Most Vulnerable Cluster by Postcode, London 2010.



Source: Financial Capability data, Experian, 2010

For further information on the Thoresen Review, see

http://collections.europarchive.org/tna/20100104185645/http://www.hm-treasury.gov.uk/thoresen_review_index.htm

For the full Experian report, pen profiles and the postcode level data, see

<http://data.london.gov.uk/datastore/package/financial-capability-and-child-poverty>

For additional maps of this and the previous data, see

<http://data.london.gov.uk/datastore/applications/maps-financial-capability-data>

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If you would like more information on how Money Advice Service can support your Local Authority, please contact: kevin.smith@moneyadviceservice.co.uk

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Data presented in this briefing were produced by Experian as part of the Thoresen Review of Generic Financial Advice (2008) and updated in 2011.

For more information regarding the Experian dataset, please contact Mark.Pestereff@uk.experian.com