

Citizenship and Money Management

Ian Duffel

Barclaycard Visiting Fellow
The Centre for Citizenship
Studies in Education

Citizenship obviously means different things to different people and I for one am content to suggest that they may all be right because to me, Citizenship is a melange of all those things outside the core curriculum which better prepare pupils for adult life. Different teachers will give different emphases, and the balance will vary accordingly. In any case, the right balance will differ from child to child.

Suffice it to say that the Citizenship theme is an important ingredient in education and Barclaycard were happy to sponsor the Centre at Leicester University as an act of social responsibility which some teachers have found surprising. In fact the Barclays Group has good Quaker roots going back 300 years, but the doubters are right at least in part, for there is another motive.

It is evident that very few people manage their money affairs to anything like maximum efficiency, not because they do not have the desire or even in many cases the money, but rather because they have never learned the relevant concepts. Therefore, with the Speaker's Commission on Citizenship specifically mentioning money management (p.14) and Curriculum Guidance 3 listing 'finance, including personal finance' as a component of citizenship (p.5), Barclaycard saw an opportunity to help the next generation become financially literate.

In the long run (and this is where the doubters of our pure altruism may be right) if more people understood more about money, we should have fewer bad debts and troublesome accounts in the future.

■ To budget or not to budget

I have been a bank manager for many years in both large branches and small and, in my experience, most people do not understand money at all. In common with people who have difficulty reading or writing, those who do not understand money also become adept at hiding the fact. Many people take the first mortgage or life policy offered them without finding out whether it really suits their own situation and then retreat from the 'frightening' area of finance back into the 'safe' territory of real life.

Only a small proportion of families have any sort of written budget, whether month by month or week by week. This must mean that holidays and other large commitments are

booked and entered into with no more than a vague feeling that 'it will sort itself out'. No wonder over two million families in the UK currently face serious debt problems according to the Rowntree Trust. Relate, the marriage guidance organisation, confirms that debt problems are a major factor in marital breakdown, domestic violence and cruelty to children.

■ Responsibility

Before anyone stereotypes me as an uncaring banker, let me say that many people find themselves in financial difficulties through no fault of their own. At one end of the scale, in 1992 the Maxwell pensioners had no chance of protecting themselves against fraud, as did many of the investors banking with BCCI. One step up the scale of personal responsibility are those other investors who lost money through fraud but where they chose to invest in a high-risk/return organisation (Barlow Clowes, for example). Unemployment too (especially in a recession) is a common source of money problems. Many people in the UK did not expect mortgage rates to rise so far, nor the prices of houses to fall so much — yet the possibility was always there.

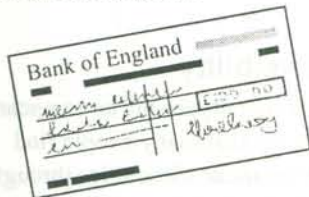
Some people, however, are authors of their own misfortune, recklessly taking out loans and applying for several dozen credit cards without ensuring that they can meet repayments. Recent articles in the press have complained that credit is too easily available, yet in the past, many used to complain against mortgages queues. In a free society, wise individuals exercise self-restraint and are not greedy with credit facilities just as they would not leave a sweet shop with dozens of Mars bars. Credit should be seen as a privilege and a precious resource to be husbanded, not squandered ('They've increased my limit!') on a binge of impulse purchases.

Who is to teach this self-restraint, this simple skill of comparing APRs — or the more difficult skill of choosing the best mortgage? Previous generations were not perhaps so tempted with credit and were more used to working with cash alone. Their choice was more limited but if wealthier parents had a bank account they tended to introduce their children to the same branch, and there was an element of parental guidance.

With the explosion of financial services in the 1970s, many young people without parental

Money Quiz

1. How much is a loaf of bread?
2. What is APR?
3. When will your cheque "bounce"?
4. What would young people be wise to insure?
5. What is a debit card?



6. What wages/salary do you hope to start on?
7. How much does it cost to feed you for a year?
8. How many Deutschmarks are there to £1?

9. What is life insurance? Why bother?
10. What is the difference between gross and net interest on your savings?
11. Where will you find yesterday's FTSE Index? How high was it?
12. Roughly how much income tax does someone earning £10,000 p.a. pay?

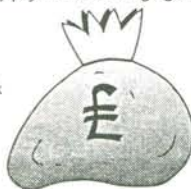


13. Are young people allowed by law to take part-time jobs?
14. Is electricity, gas, oil or coal cheapest for home heating?
15. How much is a Road Fund licence for a car?
16. Where do you apply for a mortgage?



17. What is a travellers cheque?
18. Why and how would you set up a standing order at your bank?
19. What is a County Court Judgement?
20. Are gold sovereigns legal tender?

Answers on the back of this broadsheet



cannot work out the change from £20 when they've spent £17.89, according to the *TES* (2/10/92). Many schools do accept that part of a 'broad and balanced education' (Education Reform Act 1988) must include some lessons on budgeting and financial planning. However, some teachers fight shy of this topic, either because they cannot find time in the timetable, or because they do not feel qualified to teach the subject in depth. Others feel it is up to banks to teach this topic, which is just not practicable — and might incur the charge of marketing to minors if they did.

The concept of citizenship involves the relationship between the individual and the community and I believe that citizenship is underpinned by various fundamentals without which it could be argued that the individual cannot exercise the basic rights of citizenship — the rights of enjoying reasonable health, a stable democracy and a basic education, for example. No one can function fully as a citizen if financial worries keep them awake at night and their daylight hours are spent dodging creditors or worrying about bailiffs.

■ School involvement

Schools could do much to enhance the future quality of life of their pupils in this area. Whatever the income of the individual, budgeting is advantageous. Many pupils will have over £1 million pass through their hands by the time they retire — they need to know how to use their resources wisely rather than frittering them away. Useful topics could include:

- budgeting
- sensible use of credit
- interest on loans and savings, and APRs
- leaving home
- working and paying tax
- college and grants
- mortgages
- investment
- handling debts.

Helping pupils to manage their money

guidance acquired cheque books and credit cards and learnt by trial and error. This was possibly much the same as when motor cars first became popular — initially no driving test was required. No one would now argue for the freedom to drive without first passing a test and (although I do not suggest that it should be compulsory), learning personal money management is just as important.

One in five adults cannot work out change

I know of no other mechanism for teaching all young people than via schools, especially if it is accepted that many parents do not feel competent in this area. One in five adults

I would like to encourage discussion in staff rooms and at meetings of governors and PTAs, to see if a whole-school policy on teaching about money can be developed. Numerous styles can be considered (see CSCS Broadsheet No. 35, *Citizenship and the Art of Handling*