

MAYOR OF LONDON

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**Economy Committee Report Short changed: the financial health of Londoners**

Thank you for your letter of 8 January and for forwarding on a copy of the Economy Committee's recent report on financial health in London. The inability for many Londoners to weather financial shocks or access affordable credit is a significant barrier to reducing poverty and inequality in the capital. As you highlighted in your foreword, financial exclusion is a complex issue, but there are a number of areas where City Hall can help drive focus and innovation.

Understanding the scale of the problem

Insights into the behaviours and circumstances that lead to poor financial health are well understood at a national level, but the report is correct to highlight the lack of regional data available when assessing the scale of the challenges in London. The report is correct to identify that an annual survey could help address this, but I question whether this might be better conducted by the Government, across the whole of the UK, or if the evidence base on financial inclusion could be strengthened through alternative means.

Advice services

I agree that local authorities have an important role to play in increasing the uptake of financial advice and support within their communities. I am looking into ways in which City Hall can assist the boroughs to share their learning and best practice. I agree that hosting a summit would provide an opportunity to bring together the groups involved in the delivery of these services, along with education providers and innovators from the technology sector, to explore options for improving the financial health of Londoners across the board.

Young people

Although the addition of financial education within the national curriculum was a positive step, I am concerned by reports from the Money Advice Service that only 40 per cent of young people in local authority maintained schools could identify having received any. It is also worrying that, as identified in the Economy Committee's report, the change in curriculum has discouraged banks from funding financial capability programmes in schools.

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Given the levels of over-indebtedness among millennials, the preparedness of young people to manage their financial health is an area of particular concern. City Hall will shortly be conducting a survey of young Londoners with an increased sample of 16 and 17 year olds. This survey will include questions to assess levels of financial education and inclusion. After assessing the results of this survey, I will consider what role City Hall can play in working with partners to improve young people's preparedness.

Business advice and mentoring

As your report referenced, the business advice and support offered to SMEs through LEAP's Growth Hub and Start, Scale, Grow programmes are an important part of supporting the financial health of London's growing businesses. In light of the recommendation in the report I will ask LEAP to explore both the need and potential for asking Government to extend the operating hours of the helpline and webchat facility.

Promoting affordable credit

I am a long-time supporter of the credit union movement. I believe credit unions offer an important alternative for people who are either excluded from, or do not trust mainstream finance. The dedication and innovation demonstrated by a number of credit unions in London has shown how important their services can be for people on low incomes, or who struggle to manage their financial health. I will explore ways to promote the work of credit unions. For example, it may be possible to promote the use of credit unions through my Good Work Standard, which will be launched later this year.

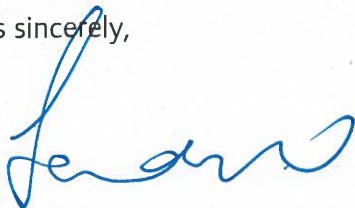
The new London SME fund of funds will provide an important opportunity to improve the supply of finance for younger, small businesses, allowing them to scale-up and achieve their growth ambitions. Once finalised, it is my expectation that these funds will be promoted to all suitable businesses in London, and that appropriate measures will be taken to ensure those from disadvantaged communities have the same opportunities to apply.

Digital inclusion

There is a clear link between digital and financial exclusion. The report is correct to highlight the challenges that the rise of mobile banking, and transition towards a cashless society, is posing to groups who do not possess the capabilities to manage their finances in this way. The risk of a further reduction in the availability of free to use cash points is also a concern, and I will soon be writing to the leading cash machine networks to encourage them to share their data and assist in the mapping of their provision. This could help Londoners avoid having to use fee charging machines.

I am currently exploring what role City Hall is best placed to play in improving digital capability in London. My Chief Digital Officer and the Smart London Board are currently running a listening exercise for a new Smart London Plan. This is a call to businesses, public servants, academia, civil society and practitioners for solutions to the city's challenges, including digital skills. I am also looking at whether my TechInvest Programme could include an event on financial inclusion during its second year, and whether programmes such as the Civic Innovation Challenge could in future look at integrating financial inclusion streams.

Yours sincerely,



Sadiq Khan
Mayor of London