Policy Briefing #1

Unlocking Brighter Futures:
How financial inclusion transforms the lives of young people

Background

This research explores financial inclusion among young people aged 16–25 in the UK — a group representing around 12% of the population and at a pivotal stage; moving from education into work, encountering credit for the first time, and making independent financial decisions. Financial inclusion is a key means of reducing poverty, social exclusion, and financial vulnerability, while improving wellbeing and opportunity.

We find that approximately 83% of young people holds a current account and face several pressures including the cost-of-living, inconsistent financial education, poorer mental health and lower financial wellbeing. While digital access and engagement are improving, many remain financially insecure, underprepared for complex financial choices, and at increased risk of financial exclusion.

To reverse these trends, government, educators, and the financial sector must strengthen financial education, ensure fair access, build digital confidence, and develop evidence-based policies reflecting young people's needs; this could increase the confidence and participation of young people in the financial system — building a fairer, more resilient, and more equal society.

If you are interested in accessing the full research report behind this policy briefing paper, please visit https://hyfa.foundation/financial-inclusion-briefing-paper/.

Key Findings

1. Economic and Financial Challenges

- 49% of young people report that the cost-of-living crisis had a more damaging effect on their lives than the Covid-19 pandemic.
- Young households (16–24) experience the lowest levels of food security of any age group and the highest rates of food bank use.
- Around 12.8% of 16–24-year-olds are classified as NEETs (not in education, employment, or training) — nearly 1 million young people.
- Those in work often face low pay, poor-quality, or insecure jobs, limiting opportunities to build savings or access credit.
- Only 42% feel financially secure, and the same proportion are actively saving.
- Money worries contribute to declining mental health and wellbeing, with many reporting stress, anxiety, or embarrassment about their finances.

2. Financial Education and Capability

- Financial education is not statutory in English primary schools and applies only to local authority secondary schools.
- Half of teachers believe schools should play the leading role in delivering financial education, yet many are unaware of their statutory duties.
- Young people often seek money advice from parents (88%), but only half of parents feel confident discussing money.
- Regional variation and fragmented delivery limit the overall impact of financial education initiatives.
- A 15-year-old in a deprived area has the financial capability of an 11-year-old in an affluent one.

3. Digital and Financial Inclusion

- 100% of young people report making or receiving a digital payment — more than any other age group.
- Those with higher digital skills are four times more likely to save regularly and twice as likely to invest.
- However, 37% of young people still believe their digital skills need improvement.
- Social media is an increasingly important source of financial information — 13% use TikTok and 82% prefer learning new digital skills online.

4. Circumstances of Financial Inclusion

- 83% of young people hold a current account.
- 69% have borrowed money in the past year, yet only 53% borrowed from a bank or regulated lender.
- Only 27% of young people are enrolled in a pension scheme.
- Many have limited savings buffers, leaving them vulnerable to income shocks.

Recommendations

This study recognises the strong efforts by His Majesty's Treasury, the Financial Inclusion Commission, Fair4All Finance, and other stakeholders in advancing the financial inclusion agenda. However more coordinated, targeted action is needed to address the specific needs of young people.

1. Improve Data and Research

- Strengthen collaboration between HMT, the ONS, and international data partners to ensure complete and timely reporting on youth financial inclusion.
- Address key data gaps, such as informal borrowing, saving patterns, and access to emergency funds.
- Fund longitudinal studies to assess the long-term impact of financial education and policy interventions.

2. Targeted Financial Education

- Develop a national framework for financial education that ensures consistent delivery across the UK.
- Make financial education mandatory for post-16 learners and encourage lifelong learning.
- Launch a public awareness campaign to clarify schools' statutory responsibilities and available teaching resources.
- Encourage peer-led and community-based initiatives to engage young audiences.

3. Introduce a Fair Banking Act

- Support a Fair Banking Act modelled on the US Community Reinvestment Act (1977).
- Empower the FCA or Competition and Markets Authority to assess financial institutions based on their contribution to inclusion.
- Reduce reliance on high-cost or informal borrowing.

4. Promote Inclusive Product Design

- Encourage financial institutions to co-design products with young users to ensure accessibility, relevance, and affordability.
- Support development of no-interest loan schemes and products tailored to low-income or first-time borrowers.

5. Strengthen Digital and Financial Capability

- Integrate digital financial literacy into school curricula and youth employment programmes.
- Partner with technology providers to develop trusted, engaging financial education content.
- Ensure young people have safe, inclusive digital access as bank branch closures continue.

6. Review Dormant Asset Funding

- Conduct a transparent review of the Dormant Assets Scheme to maximise contributions from participating financial institutions.
- Clarify which organisations contribute and how funds are allocated.
- Expand support for financial inclusion projects proven to improve youth outcomes.