Institute and Faculty of Actuaries

12 January 2026

Treasury Committee: Call for Evidence

Financial Inclusion Strategy

The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 34,000 actuaries worldwide and oversee their education at all stages of qualification and development throughout their careers. Actuaries are big-picture thinkers who use mathematical and risk analysis, behavioural insight and business acumen to draw insight from complexity. Our rigorous approach and expertise help the organisations, communities and governments we work with to make better-informed decisions. In an increasingly uncertain world, it allows them to act in a way that makes sense of the present and plans for the future.

Key points

The IFoA welcomes the opportunity to respond to the Treasury Committee's Call for Evidence on HMT's Financial Inclusion Strategy. It is helpful that the Treasury Committee are considering HMT's Strategy shortly after its publication, as early feedback to HMT on its Strategy will be important before work on the Strategy's targeted interventions gets underway.

Improving financial inclusion is very relevant to the public interest. Access to essential financial services can be transformative, while financial exclusion can significantly restrict people's ability to participate fully in the economy and wider society. We believe that improving financial inclusion should be a long-term priority for policymakers, regulators and the wider financial services industry.

The IFoA have been active in campaigning on financial inclusion related issues over recent years, including our campaigns on the Great Risk Transfer, poverty premium in insurance, and thought leadership on a cashless society.

As part of our Great Risk Transfer campaign, we are working with Fair4All Finance to make household contents insurance more accessible and affordable for social tenants. Our members' expertise is set to influence the design of the pilot product referred to in the Strategy, and the IFoA will be a partner in driving this specific Strategy intervention forward.

On financial education and capability, the Strategy includes proposals to make this compulsory in for the primary school curriculum in England, a measure we advocated in evidence to the House of Commons Education Committee in 2023.

One key area of existing/ potential future financial exclusion relates to saving for retirement to a (defined contribution) pension arrangement. Pension savings are relevant to financial inclusion in that inadequate saving for retirement today could give rise to financial exclusion tomorrow (i.e. in future). Pension contributions are also relevant to financial exclusion today, in that consumers will have competing pressures on their finances. Any strategy to improve financial inclusion should be consistent with initiatives to improve retirement outcomes, and vice versa.

We support the two-year review timeframe, but it is essential that any learnings be used to inform any subsequent updates to the Strategy/ interventions.

The Strategy will need to consider the impact of AI on financial inclusion. AI offers greater accuracy in risk assessment, which could lead to financial exclusion with consumers deemed 'high risk'; AI use could also be associated with discriminatory decisions. Conversely, AI could improve inclusion such as through better identification of vulnerability or consumer need; a balanced view on AI is therefore necessary.

Metrics will be important in measuring Strategy progress, particularly given that improving financial inclusion will be a longer-term endeavour. We suggest that further work is required by HMT in conjunction with the financial services industry and consumer groups to define clear and measurable metrics to track progress.

Beijing	Room 512 · 5/F Block A · Landgentbldg Center · No. 20 East Middle 3rd Ring Road · Chaoyang District Beijing · 100022 · People's Republic of China	**Tel:** + 86 10 5878 3008
Edinburgh	Space · 1 Lochrin Square · 92-94 Fountainbridge · Edinburgh ·EH3 9QA	**Tel:** +44 (0) 7632 2100
London (registered office)	1-3 Staple Inn Hall · High Holborn · London · WC1V 7QJ	**Tel:** +44 (0) 7632 2100
Malaysia	Arcc Spaces · Level 30 · Vancouver suite · The Gardens North Tower · Lingkaran Syed Putra · 59200 Kuala Lumpur	**Tel:** +60 12 591 3032
Oxford	Belsyre Court · 1st Floor · 57 Woodstock Road · Oxford · OX2 6HJ	**Tel:** +44 (0) 7632 2100
Singapore	Pacific Tech Centre · 1 Jln Kilang Timor · #06-01 · Singapore 159303	**Tel:** +65 8778 1784

Treasury Committee Call for Evidence: Financial Inclusion Strategy

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Treasury Committee's Call for Evidence on HMT's Financial Inclusion Strategy. It is helpful that the Treasury Committee are considering HMT's Strategy shortly after its publication, as early feedback to HMT on its Strategy will be important before work on the Strategy's targeted interventions gets underway.

   Unless specified otherwise, all subsequent references in our response to the Strategy relate to HMT's Financial Inclusion Strategy.

2. It is important to note that, as for any IFoA response, we have considered HMT's Strategy and the Treasury Committee's Call for Evidence from an independent, public interest perspective. In doing so we have taken a broad perspective on the public interest, considering the impact of financial inclusion on current and (importantly) future financial services consumers, and society as a whole.

3. In our view, improving financial inclusion is very relevant to the public interest. As HMT's Strategy explains, access to essential financial services can be transformative, while financial exclusion can significantly restrict people's ability to participate fully in the economy and wider society. We believe that improving financial inclusion should be a long-term priority for policymakers, regulators and the wider financial services industry.

4. The IFoA have been active in campaigning on financial inclusion related issues over recent years. Initiatives have included:

   - the launch of our ongoing campaign on the Great Risk Transfer in 2020;
   - our partnership with Fair by Design on the Poverty Premium in Insurance in 2021;
   - our thought leadership series on inclusive insurance over 2020-23;
   - thought leadership on a cashless society.

We cover these strands in more detail below.

5. The first phase of our work on the Great Risk Transfer was broad and cross-practice and considered the trend on how the management of financial risks was being transferred from employers and financial institutions to individuals. One pensions example was the demise of defined benefit pension schemes and their replacement with cheaper and more cost-predictable (for employers) defined contribution arrangements. With respect to insurance, the Great Risk Transfer arose through the relative decline of pooling of risk, and inherent cross-subsidy within insurance.

6. A second phase of our Great Risk Transfer focussed on how a minimum level of insurance provision could be realised. We ran a roundtable event bringing together academics, industry experts, and consumer advocates to consider, amongst others, which types of insurance cover should be seen as essential for financial resilience, and what levers government and regulators could apply to increase take-up of insurance to a defined level.

7. This discussion led directly to the IFoA's partnership with Fair4All Finance on making minimum home contents insurance more accessible and affordable for social tenants. *This partnership now features in HMT's Strategy and is discussed in the questions below.*

8. In 2021 the IFoA, together with Fair By Design, produced a joint report, The hidden risks of being poor: the poverty premium in insurance. As a result of this poverty premium, vulnerable and low-income consumers often cannot afford, or are altogether excluded from, insurance that would provide protection from financial shocks. The report explored the prevalence, key drivers and impact of poverty on vulnerable consumers. It was informed by extensive engagement with regulators, civil servants, insurance practitioners, and consumer advocates, as well as people with lived experience of poverty. It made recommendations for government aimed at improving access to insurance for these consumers.

9. We published four bulletins on inclusive insurance as follows:

   - Drivers of Change: exploring the societal, technological and macroeconomic drivers that create a need for change;
   - Responding to Change: considering the issue of fairness within the insurance sector and the role played by technical innovation;
   - Tackling Exclusion: how the poverty premium could be tackled to help improve insurance inclusion;
   - Greater Expectations: how innovation could help improve insurance inclusion.

10. The IFoA has engaged in policy debate on the decline of cash usage and its implications for financial inclusion. While acknowledging the need to maintain a cash ecosystem for those who depend on it, we have also argued for ‘a comprehensive transition programme, to ensure as many people as possible are equipped to sign up for and use electronic payments for a sustainable future. Without this, vulnerable groups that still rely on cash could be further hit if the growing cost of using cash is passed on to them.’ (HMT Payments Landscape Review 20201020_FINAL.pdf).

11. Our Regulatory Board has the risk of poor financial inclusion as a key theme on its Horizon Scan (alongside broader consumer outcomes). Off the back of this, there is a thematic review planned during 2026 to consider the impact of actuaries on consumer fairness and financial inclusion. This will gather information on the work of actuaries either within firms, or providing advice, where this influences financial inclusion, with a view to identify any gaps in relevant professional standards and guidance (amongst other things). *Prior thematic reviews which have considered general insurance pricing, equity release mortgages, and the use of AI and data science, have all to some extent touched on the financial inclusion agenda.*

12. We hope the Treasury Committee finds our response to this inquiry helpful and constructive. We would be delighted to discuss our response with the Committee, including in any potential oral evidence sessions.

Treasury Committee Questions

We have responded to most of the questions within the inquiry, where we have specific points to raise. In the interests of clarity, we have added numbering to the Treasury Committee's questions.

Scope and Foundations

Question 1: What do you see as the major challenges to financial inclusion in the UK?

Question 2: Does the Financial Inclusion Strategy (FIS) address the main challenges to financial inclusion in the UK?

We answer these two questions together.

13. We welcome the publication of HMT's Financial Inclusion Strategy and support its aims to ensure that all can access, understand, and use financial services effectively. It is encouraging that the Strategy includes a range of measures to tackle barriers that face vulnerable groups, such as lack of ID, poor digital access, limited savings, and exclusion from affordable credit.

14. Financial exclusion is a systemic issue with a wide range of drivers in differing market contexts. This is reflected in the broad scope of HMT's Strategy: it covers a wide range of issues, including digital and banking inclusion, financial resilience through savings and insurance, access to affordable credit, problem debt, and financial education and capability.

15. The IFoA agrees with HMT's view that the barriers to financial inclusion are complex and deeply entrenched. We also agree that a collaborative approach between Government, regulators, the financial service industry and consumer groups is necessary in tackling financial exclusion.

16. The plans in the Strategy relating to insurance and financial education are particularly relevant for the IFoA.

17. As part of our Great Risk Transfer campaign, we are working with Fair4All Finance to make household contents insurance more accessible and affordable for social tenants. Our members' expertise is set to influence the design of the pilot product referred to in the Strategy, and the IFoA will be a partner in driving this specific intervention forward.

18. On financial education and capability, the Strategy includes proposals to make this compulsory in for the primary school curriculum in England, a measure we advocated in evidence to the House of Commons Education Committee in 2023.

19. In late 2024, we responded to HMT's consultation on their *Financial Services Growth and Competitiveness* Strategy. In our response, we suggested that improving financial inclusion should be an explicit policy pillar within that Strategy. However, HMT's stand-alone Financial Inclusion Strategy is an alternative approach to achieving this aim.

20. We issued a press release when HMT published its (Financial Inclusion) Strategy in early November 2025; *see Appendix 1 to this response.*

Question 3: Are there any major areas of financial exclusion not addressed by the strategy?

21. One key area of existing and potential future financial exclusion relates to saving for retirement to a (defined contribution) pension arrangement. Pension savings are relevant to financial inclusion in that inadequate saving for retirement today could give rise to financial exclusion tomorrow (i.e. in future). Pension contributions are also relevant to financial exclusion today, in that consumers will have competing pressures on their finances, such as non-pension savings, savings for retirement, insurance policy premiums and wider cost of living pressures.

22. We appreciate that pensions adequacy is the domain of the Department of Work and Pensions, and so may deliberately be out of scope of HMT's Financial Inclusion Strategy. However, any strategy to improve financial inclusion should be consistent with initiatives to improve retirement outcomes, and vice versa.

23. At present, there is no consistent public narrative or nationally recognised amount to help individuals understand how much they need to be saving into their pension each month to secure a 'good' retirement. Our 'Savings goals for retirement' report aims to address this. Our analysis is based on the Pensions and Lifetime Savings Association's Retirement Living Standards, which set out the cost of three distinct lifestyle levels of retirement: Minimum, Moderate and Comfortable. These savings goals indicate that people need to be saving well above the automatic enrolment minimum if they are to achieve a 'moderate' standard of living.

To the extent that retirement adequacy is relevant to the Treasury Committee's inquiry, further detail is given in Appendix 2 to this response.

24. Our work on the Great Risk Transfer highlights how, over time, risk has been transferred from large institutions to individuals. We think it is important to continue talking about these issues, which are ongoing and significant. In common with the Strategy, our Great Risk Transfer campaign includes work on financial education and capability, aiming to strengthen people's capacity to handle the greater number and complexity of risks they are being faced with. However, we have also made the case for rebalancing certain risks back towards institutions to ease the burden on individuals, by making structural changes to markets, products/ services, and the legal/ regulatory frameworks that shape them. We hope that practical insights from implementing the Strategy will highlight new examples where such structural changes could be effective.

Question 4: Are the six pillars of the strategy the right foundation for achieving its objectives?

25. The six pillars of the Strategy are key challenges to financial inclusion. We focus on those pillars relevant to our members' expertise and experience.

Digital Inclusion and Access to Banking

26. We agree with HMT that access to banking is the foundation of financial inclusion. We welcome HMT's commitment to ensuring that cash remains a viable payment method for those who depend on it.

27. The IFoA had a Cashless Society Working Party (now disbanded) which produced a report concluding that, as the use of cash in our society decreases, it poses a risk to financial inclusion and threatens to widen inequalities rather than reduce them. The Working Party noted that failing to manage the transition to a less-cash society would create significant risks for individuals and society. It also cited an Access to Cash Review [1]which flagged concerns such as the loss of personal independence and increased risk of financial abuse and debt, as well as identifying that rural communities were particularly at risk. Together with those living in rural areas, this Review noted that (at that time) over 8 million adults in the UK would struggle to cope in a cashless society. Many of these people are vulnerable in one or more ways, for example living in poverty, or with physical or mental health issues.

Support for Savings

28. The Strategy focuses on supporting people to make small, regular savings. We support the efforts to increase the number of employers who facilitate payroll saving. We note the Strategy refers to Nest Insights research showing that savings schemes with an automatic enrolment approach have the highest

[1] See: https://www.accesstocash.org.uk/media/1087/final-report-final-web.pdf

participation rates. This aligns with the success of this approach for employee pension schemes in the UK.

29. To the extent that retirement savings are relevant to the Treasury Committee's inquiry, we also refer to our response to question 3, and Appendix 2.

Financial Resilience Through Insurance

30. It is in the public interest that insurance is available to protect those who are most at risk of experiencing financial hardship. The Strategy makes a key point in relation to this pillar: whilst access to suitable insurance is particularly important to those who are financially vulnerable, often such people are less likely to have insurance coverage.

31. We have already mentioned that the IFoA are involved in the home contents insurance pilot for the private rental market.

32. The Strategy acknowledges the relevance of the cost of motor insurance in relation to financial inclusion. We understand the corresponding motor insurance taskforce has concluded and it would be helpful to understand how this will impact HMT's Strategy.

33. It also refers to the FCA's ongoing work on premium finance (i.e. where insurance premiums are paid in instalments, rather than as a single annual payment). This was one of the areas we considered in our work on the poverty premium in insurance, and we will be keen to engage with the FCA/ HMT when the FCA conclude their work here.

34. We recognise that self-exclusion is a contributor to insurance exclusion, and support efforts cross-industry efforts to improve product signposting. However, consideration of product value will be important, rather than a focus on the cheapest insurance policy.

35. We also welcome cross-industry efforts to improve transparency/ consistency in the underwriting decisions of travel insurance for those with pre-existing mental health conditions.

36. Each of these interventions are welcome and have potential to improve insurance inclusion within these specific contexts. However, in our view the scope is quite limited, as financial exclusion arises in many forms of retail insurance. There is scope to build on these interventions, including tailoring new products to meet unserved needs. The Strategy could also usefully be expanded in scope to tackle a wider range of financial vulnerabilities or protected characteristics, including disability and age.

Access to Affordable Credit

Tackling Problem Debt

Although we recognise that these two Pillars have an important role in improving financial inclusion, they are less relevant to the work of our members.

Financial Education and Capability

37. In our response to the publication of the Strategy, we particularly welcomed the UK Government's commitment to make financial education compulsory in primary schools in England.

38. For older students and indeed adults, we have recommended principles of financial literacy covering spending, emergencies, borrowing, savings and investments, and getting advice when necessary.

39. We believe that people should feel equipped to handle the financial risks they face. However, the Great Risk Transfer is relevant here: the trend of transferring financial risk from institutions to individuals has not been matched by an increase in individual and collective capability to embrace this transfer of risk.

40. The IFoA runs a range of events for school pupils which provide education about the actuarial profession as well as opportunities to network with employers. Our award-winning annual event 'Count Me In' celebrates the diversity within the profession and encourages bright young maths students from historically unrepresented backgrounds to become actuaries. Our Career Ambassadors represent a range of employers and volunteer their time to take part in school events as speakers or panel members. https://actuaries.org.uk/qualify/become-an-actuary/support-for-schools-and-universities/#Events

Question 5: Is the Government taking the right approach by treating mental health, accessibility, and economic abuse as cross-cutting themes within the Financial Inclusion Strategy, rather than as standalone priorities/pillars?

41. There is a range of systemic barriers to financial inclusion and our understanding of HMT's Strategy is that the six distinct pillars include a range of specific interventions within the respective financial service sub-sectors within scope of the Strategy. We acknowledge that the three cross-cutting themes are relevant to the six pillars, although this 'matrix approach' of pillars and themes adds an additional dimension to the Strategy. If HMT's aim is to tackle financial inclusion across each element of this matrix, then care will be needed to track progress of the strategy across each theme-pillar element of the matrix. This could add complexity if HMT decide to prioritise specific pillars or themes. *Note also our point on protected characteristics in question 22 below*.

Targets, Timeframes, and Resources

Question 6: Are the targets set in the strategy reasonable and achievable?

42. The conclusion to the digital inclusion and access to banking pillar includes the assertion that the interventions taken would ensure that everyone can access banking services and function effectively in an increasingly digital society. This aim is laudable, but we believe it is more realistic to expect an improvement in banking/ digital inclusion.

43. Similar comments apply in relation to other pillars, in that the specified interventions could reduce financial exclusion within the respective market sectors; however they will likely be stepping-stones on the path to greater financial inclusion.

44. The Strategy explains that the financial services industry is expected to take the lead in improving financial inclusion. It would be useful to have a shared understanding on enablers from Government here, to ensure that the industry is impactful in terms of meeting financial inclusion goals.

See questions 11/ 12 for comments relating to metrics proposed.

Question 7: Is the proposed two-year timeframe for reviewing progress appropriate? Does this period allow sufficient time for the plans to develop without risking unnecessary delay?

45. As we state earlier, we believe that improving financial inclusion should be a long-term priority for policymakers, regulators and the wider financial services industry; this reflects the systemic nature of financial exclusion, and varied barriers/ contributors to exclusion.

46. In principle we support the two-year review timeframe, but in our view, it is essential that any learnings be used to inform any subsequent updates to the Strategy/ interventions. As in our response to question 6, we do not expect financial inclusion to be solved within a two-year timeframe.

47. Collaboration will also be essential in monitoring progress and learning from it; this could identify any unintended consequences of the existing interventions or practical issues with implementation.

48. Given the risks that society faces, and will face in future are changing rapidly, a review should also be used to identify where the financial inclusion ecosystem has moved on from now.

49. A further key point is how the overall success of the Strategy will be measured if performance for the individual pillars is very varied. It will also be important to set out how any amendments to the Strategy are likely to achieve any revised objectives.

Question 8: Are sufficient resources and funding allocated to support the initiatives outlined in the Strategy? Is the funding sustainable to support long-term impact?

50. Although we cannot comment on whether the funding allocated will be sufficient, we support the use of dormant assets funding for a range of projects within the Strategy. Our view is that improving financial inclusion is a worthy and particularly appropriate use of dormant assets. We also welcome the involvement in a wide range of partners in delivering the various pillars of the Strategy.

51. As touched on earlier in our response, we believe that improving financial inclusion should be a priority over the longer-term for policymakers, regulators and the wider financial services industry. As such, a long-term view should be taken on ensuring adequacy of resources and funding, including on any subsequent iterations of the Strategy pillars.

Policy Design and Effectiveness

Question 9: Have the most significant barriers to financial inclusion been correctly identified?

52. We believe a number of additional themes or specific barriers to financial inclusion are worth considering within the Strategy, as below:

Artificial Intelligence - AI

53. Although digital inclusion is an explicit pillar within the Strategy, the Strategy otherwise has little direct reference to AI. Any financial inclusion Strategy will need to consider the impact of AI on the financial services industry in general terms, and also its potential impact on financial inclusion.

54. AI is becoming increasingly embedded across the financial services sector, and over the next decade we expect use of AI to continue to grow, with increasing data availability/ computing power. It is plausible that financial service firms have adopted AI at a greater rate than other sectors, not least due to the structured data-driven nature of the industry.

55. The rise of AI offers significant potential to the financial services sector (and indeed wider society), and many of the benefits of AI are already being realised. However, getting the balance right in terms of making the most of AI's upside potential whilst having appropriate mitigants to the downside is relevant to the wider public interest.

56. AI is very relevant to financial inclusion. It offers greater accuracy in risk assessment (e.g. in insurance pricing) due to greater availability of data, although this then implies a reduction in the degree of 'pooling of risk'. What is appropriate pooling of risk is a key societal question.

57. Greater accuracy in risk assessment could have positive or negative consequences for financial inclusion, depending on an individual consumer's circumstances:

    - if an AI-driven risk assessment led to certain consumers being regarded as lower risk, then they could find financial products more affordable;
    - on the other hand, if they were deemed to be 'high risk', it could lead to expensive or unaffordable financial service products, increasing financial exclusion.

58. AI has could also contribute to financial exclusion if its use were associated with discriminatory decisions, including in respect of individuals with vulnerabilities or with protected characteristics. This could be due to historic, inaccurate or unrepresentative datasets: flawed 'training' data could reinforce

discriminatory practices. Such discrimination could lead to consumer detriment generally, and not just in relation to individuals with vulnerabilities or protected characteristics. The ethical oversight of algorithms will be important in this regard.

59. It should be noted however that AI has significant potential to improve financial inclusion, including in respect of vulnerable consumers. It could provide more efficient and personalised customer service by better identifying customer needs, including '24/7' customer service, when the customer wants it. There is also a converse point in relation to bias: AI tools could potentially help identify, and call out, bias in a less subjective way, and more quickly than if attempted by humans.

60. On balance, it is important to take a positive perspective on the rise of AI and technology - it also has significant potential to improve outcomes for those who are financially excluded, or otherwise vulnerable.

Flood Risk

61. Although the Strategy refers to flood insurance in the context of insurance signposting (within the Financial Resilience Through Insurance pillar), there is no other reference to flood risk. We believe that flood risk and the future of Flood Re is very relevant to financial inclusion.

62. Flood Re is a reinsurer and is a joint initiative between the UK Government and the insurance industry. It was created to restore availability and affordability of UK home insurance for those at high risk of flooding. It was set up given experience of significant flood events and increasing sophistication in flood risk assessment (and hence insurance pricing).

63. Flood Re was established in 2016, but it is legislated to come to an end in 2039. It is a Not-for-profit body and is financed through an annual levy on household insurers.

64. Future flood risk is increasingly uncertain due to climate change. Costs are rising with continued house building on flood plains and there are also affordability challenges with flood defences and other mitigation measures. Furthermore, flood risk pricing models continue to become more risk reflective. This raises questions over the future affordability of flood insurance, especially for those most vulnerable (to flood risk).

65. There is already a growing number of residents and businesses that will be experiencing issues of unaffordability or unavailability of flood insurance; post-2009 housing and also businesses are outside scope of Flood Re. However, when Flood Re terminates, many residents in high flood risk areas could find flood insurance either totally unaffordable or entirely unavailable.

66. The value of a home is underpinned by insurability, and we understand that the mortgage market has already started to become more constrained as lenders increasingly decide against offering mortgages on homes exposed to high perceived flood risk.

67. We suggest HMT liaise with the Department for Environment, Food and Rural Affairs (DEFRA) if flood risk is not incorporated within the Strategy, as it is very relevant to financial inclusion.

Gig Economy

68. The Support for Savings pillar includes an intervention in relation to the self-employed, and there is a proposal in relation to income protection insurance, which we welcome.

69. One sub-group of the self-employed is those who work in the so-called 'gig economy'. Changes in the labour market have seen an increasingly flexible approach to employment, including the rise of zero-hours contracts, short-term employment, freelancing and fluid working patterns.

70. Motivations for entering the gig economy differ. Some participants make a deliberate choice to work flexibly, but many others though enter the gig economy out of necessity, either as a sole income, or to

top up other incomes to make ends meet. For this segment, which often enjoys lower levels of financial resilience, the term ‘poverty in employment’ can be used to describe their economic circumstances.

71. The gig economy gives rise to a two-fold gig economy insurance protection gap. For those who are self-employed, they will likely be excluded from employer protections/ benefits. The second gap arises from the difficulties gig workers face in accessing insurance that is appropriate to their needs. The rise of the gig economy with its fluid and uncertain characteristics has not necessarily been matched by corresponding evolution in the insurance market.

72. A further characteristic of the gig economy is its reliance on digital technology. There is potential for this digital foundation to help address insurance exclusion by increasing the relevance, affordability and efficiency of insurance to gig workers.

73. Greater insurance inclusion would help mitigate some of the downside and precarious nature of gig employment. Our view is that HMT’s Strategy gives explicit consideration to financial inclusion in relation to gig workers.

Question 10: Are the policies highlighted in the strategy well-designed to tackle the identified barriers?

74. As noted earlier, the IFoA are involved in the home contents insurance pilot under the Financial Resilience Through Insurance pillar, in conjunction with Fair4All Finance, and other partners. This intervention arose following a range of iterative workshops between the IFoA and Fair4All Finance, under the IFoA’s work on the Great Risk Transfer. The pilot reflects feedback from a range of financial inclusion stakeholders, and we believe it has significant potential to improve take up of home contents insurance in the private rental market.

Question 11: How robust and effective are the monitoring and evaluation arrangements set out in the Financial Inclusion Strategy?

Question 12: Are the proposed metrics and review mechanisms sufficient to track progress, measure success and hold delivery partners accountable? What additional data should be collected?

We are answering these two questions together.

75. It could be argued that the metrics mentioned are not ideal because they are not quantified. The Strategy explains that HMT will consider a series of ‘outcome-based metrics’. Success will mean improvements for certain groups listed in the Next Steps section of the report, such as ‘UK working age adults who have savings, particularly those with savings between £1,000 and £2,000’. There is no detail on the metrics or on how these groups will be identified and measured. Some of the metrics mentioned may also be hard to quantify and then track, such as UK adults:

- who are unbanked;
- in financial difficulty;
- who both need and use debt advice;
- able to confidently use online services to manage their money.

76. Metrics will be important in measuring progress, particularly given that we expect improving financial inclusion to be a longer-term endeavour. Tracking progress and where revising/ expanding the Strategy in the light of progress will require appropriate management information. We therefore suggest that further work is required by HMT in conjunction with the financial services industry and consumer groups to define clear and measurable metrics to track progress of each of the Strategy pillars.

Question 13: Are the right parts of Government engaged in fulfilling the strategy?

77. We note that the Strategy is driven by HMT which is as we would expect. We welcome the partnership approach taken in the development of the Strategy through the Financial Inclusion Committee; we also support the planned collaborations with a range of regulatory/ industry stakeholders to deliver the various Strategy pillars.

78. If the scope of the Strategy is extended to include pensions, then we would expect greater involvement by the Department for Work and Pensions (although we note that they are involved in the Strategy in relation to work on Payroll Savings). The Department for Environment, Food and Rural Affairs (DEFRA) and the Environment Agency would also be relevant to the Strategy if it were to include actions to improve financial inclusion in the context of flood risk/ insurance.

Question 14: Does the strategy make sufficient use of legislative or regulatory tools to guarantee inclusion?

79. Although the Strategy aims to increase financial inclusion, we doubt that guaranteeing it would be a realistic goal.

80. The various Strategy pillars include voluntary partnerships with a range of stakeholders in delivering the relevant strand of the Strategy. Given that it includes a two-year review of progress, we suggest that legislative/ regulatory tools are revisited in the light of progress (or otherwise) in delivering the relevant strand.

81. We also note that (fairly) recent developments in the financial service regulatory eco-system should help foster financial inclusion. For example, the FCA's Consumer Duty requires financial services firms to deliver good outcomes for customers, including supporting customers in pursuing their financial objectives. The Consumer Duty was launched in 2023 (for products open to new business) and there will be a lead-time before it reaches its potential. We do note however, that the Strategy will complement the Consumer Duty in relation to individuals who are not currently financial service consumers.

82. HMT wrote to the FCA in November 2024 with its recommendations for the FCA in the light of the Government's Financial Services and Growth strategy. The letter specified where the FCA should have regard to the Government's economic policy, including having regard to reinforcing financial inclusion to enable individuals to access the financial services and products they need to fully participate in the economy.

83. We note that mandating has been successful in a pensions context, with auto-enrolment into workplace pension schemes with minimum employer/ employee contributions. Further legislative/ regulatory action in relation to the Strategy pillars may become necessary in future if there is clear justification for this.

Question 15: Does the strategy adequately account for devolved responsibilities and regional variation in financial exclusion?

We do not have any points to raise in answer to this question.

Stakeholder Engagement

Question 16: Were all relevant stakeholders adequately represented in the development and delivery of the Strategy? If not, who was missing?

84. The Financial Inclusion Committee (which helped develop the Strategy) had a good mixture of stakeholders, including Government, regulators, financial institutions and finance-related charities. The IFoA were not directly involved with this Committee, although we did have constructive engagement with Committee members as part of their work.

85. The IFoA were however directly involved in the development of the pilot to increase contents insurance uptake for social renters, in conjunction with Fair4All Finance; this initiative arose within our work on the Great Risk Transfer. We look forward to working with FFAF and other partners to deliver this intervention. We will also explore involvement with respective delivery partners to other relevant Strategy interventions.

Question 17: Has the strategy struck the right balance between industry and consumer perspectives?

86. We understand that the Financial Inclusion Committee included both consumer and industry representatives. We understand the Committee also had input from underserved/ vulnerable consumers, including their lived experience of financial inclusion/ exclusion. In our view this input is particularly important in the context of financial exclusion; almost by definition, those who are financially excluded are not active consumers of financial service products, and gaining their perspective is essential in understanding the barriers to inclusion. Our work with Fair4All Finance in the contents insurance pilot was also usefully informed by lived experience of those currently excluded from this market.

87. In our view, ongoing consumer input will also be important in the delivery of the various targeted interventions, including ensuring that they address practical barriers individuals face, and that solutions are tailored to consumers' needs.

Question 18: Which stakeholders should be particularly the focus of any additional engagement?

88. The IFoA will be involved with Fair4All Finance, the FCA and insurance/ social housing sectors to explore different methods of increasing contents insurance uptake for social renters. We will also explore scope for IFoA involvement in other targeted interventions, with the relevant stakeholders.

89. We refer to potential additional stakeholders who could be involved in delivering the Strategy - depending on scope - in our response to question 13 above.

Priorities and Impact

Question 19: Which priorities should be addressed first to maximise the impact of the Strategy? Has the Strategy struck the right balance by focusing on actions that would deliver the greatest impact early on?

90. There is a range of drivers of financial exclusion in differing contexts, as reflected in the various pillars. Given differing partners are involved in delivering the respective targeted interventions, we think it is sensible to focus on multiple pillars at once. It may be that progress in one pillar could have a positive impact elsewhere; for example, accessible and high-quality debt advice could remove immediate financial pressures enough for a consumer to feel able to buy a minimum cover home contents insurance product. It is however likely that the rate of progress in improving financial inclusion will vary across pillars.

Question 20: Which groups in society stand to benefit most from the Strategy? Are the policies sufficiently targeted towards these groups?

91. Given the two-dimensional nature of the Strategy (with pillars and cross-cutting themes), if it is successful in improving financial inclusion, then the following groups are likely to benefit, amongst others:

    - individuals currently excluded from the banking system (including people with insecure housing, or no fixed address);
    - victims of economic abuse;

- individuals currently excluded from affordable credit;
- social renters and other under-served insurance consumers;
- individuals with low digital skills;
- individuals with mental health challenges, and other vulnerabilities.

92. Some consumers currently face multiple financial inclusion barriers, and so could potentially see a range of benefits if the Strategy is successful.

93. We note that by their nature, insurance products are often designed specifically to provide significant support to vulnerable customers. There are many examples such as: life insurance in the case of bereavement; health coverage in the case of sickness; financial resilience against shocks like theft of assets, a house fire, or motor vehicle accident. In addition, the wider financial services industry can, through financial advice, help people build their own financial resilience (e.g. through saving or managing debt), hence mitigating vulnerability. Therefore, the insurance and financial advice sectors can offer significant benefits to vulnerable customers.

94. As noted elsewhere, we expect the rate of improvement in financial inclusion to vary by pillar and theme. There is also scope to build on the scope of the Strategy.

Broader Considerations

Question 21: Can or should any of the policies contribute to reducing inequality, for example by improving access to financial markets?

95. In our view, all of the pillars within the Strategy are geared towards reducing inequality, since they aim to remove systemic barriers in accessing the products and services consumers need, including underserved groups/ those with vulnerabilities. While the Strategy may not (in our view) be designed to impact on social mobility, if successful it should narrow the gap between those who are currently financially excluded, and the rest of society.

Question 22: Should the Strategy include measures to address particular challenges related to financial exclusion only faced by those with certain protected characteristics?

96. We note that the Strategy has three cross-cutting themes, of which one relates to mental health. From our interpretation of the strategy, there are otherwise no measures specific to individuals with protected characteristics. We support the Strategy having explicit consideration of the impact of the target interventions on all protected characteristics. We note that there has been recent concern of a potential ethnicity penalty in motor insurance, although the FCA have recently published their analysis of this issue (December 2025).

97. In our view, the outcomes experienced by individuals with protected characteristics should be at least as good as those of other consumers. Similar comments apply in relation to vulnerable consumers; it should be noted that the vast majority of us will face potential or actual vulnerability at least once in our lives.

98. We are aware of commentary suggesting a link between financial exclusion and certain protected characteristics including gender, age and ethnicity.

99. We refer to the relevance of AI to financial inclusion, in question 9 above. AI could be associated with discriminatory decisions, including in respect of individuals with protected characteristics. Although such discrimination could be inadvertent, this does not lessen any consumer harm, including potential financial exclusion.

Question 23: Is there scope for Treasury-supported mechanisms to provide affordable or interest-free credit to individuals who struggle to access mainstream lending?

We do not have any points to raise in answer to this question.

Question 24: To what extent will the Strategy aid the Government in its Growth mission?

100. In our response HMT's consultation on their Financial Services Growth and Competitiveness Strategy (December 2024), we agreed with HMT that the financial services sector would play a fundamental role in delivering the Government's overall growth strategy. We recognised that, although financial services already play a vital role in supporting growth across the UK economy, there was scope to build on this growth.

101. We also noted and welcomed that HMT were keen that growth should be inclusive, and the development of the Financial Inclusion Strategy is a key enabler of this aspiration for inclusive growth.

102. Although HMT's Financial Inclusion Strategy is not a growth strategy in itself, if it is successful it should enable growth indirectly by improving participation in the financial service sector. If more individuals have access to affordable products that improve their financial resilience, it should help allow them to fully participate in the economy.

103. The proposals on financial education should contribute to growth in the longer term. Greater awareness of concepts such as budgeting, saving and risk could lead to higher levels of investment in the general population. Where adult financial capability also improves, there is likely to be a corresponding improvement in participation in the shorter term.

Question 25: How community-based solutions, including banking hubs, can play a greater role in improving access to financial services and supporting financial inclusion?

We do not have any points to raise in answer to this question.

Question 26: How can the Strategy support wider access to financial advice for underserved groups?

104. Increasing funding for, and enhancing delivery of, debt advice are specific targeted interventions within the Digital Inclusion and Access to Banking pillar within the Strategy, which we support. If successful, the Strategy should then improve access to specialist debt advice, through both increased Government funding and efficiency improvements in how advice is delivered.

105. We also note that a number of interventions are also planned in relation to enhancing financial ***guidance***, including:

- signposting of insurance products by the British Insurance Brokers Association (BIBA);
- expanding/ enhancing the Money Guiders programme to deliver quality financial guidance across the UK (Money and Pensions Service).

106. Again, we support these initiatives, but we believe that financial guidance or advice have a role to play in improving inclusion across each of the Strategy pillars.

Should you want to discuss any of the points raised please contact me, Technical Policy Manager (steven.graham@actuaries.org.uk) in the first instance.

Yours Sincerely,

Steven Graham
On behalf of Institute and Faculty of Actuaries

Appendix 1: Financial Inclusion Strategy IFoA Press Release

Responding to today's publication of the Financial Inclusion Strategy, Paul Sweeting, President, Institute and Faculty of Actuaries, said:

"It is encouraging to see details in the Financial Inclusion Strategy on how the UK Treasury could tackle barriers to individuals' and households' ability to access affordable and appropriate financial products and services. We particularly welcome the Government's commitment to make financial education compulsory in primary schools in England.

"The IFoA has been campaigning on financial inclusion for a number of years. This includes work on the poverty premium in insurance, thought leadership on the cashless society, and our ongoing Great Risk Transfer (GRT) campaign*. Our GRT work highlights how, over time, risk has been transferred from large institutions to individuals. As a result, the financial decisions consumers face have increased in both number and complexity, while financial advice is often neither accessible nor affordable. Addressing these very real challenges is a joint effort and will need input from a range of stakeholders, including policymakers, regulators and industry groups, to help find viable, long-term solutions.*

"The IFoA recently hosted a roundtable with academics, industry experts, and consumer advocates to consider how to increase financial resilience through a minimum level of insurance protection for all. This has led to a collaboration with Fair4All Finance focusing on practical ways to remedy low levels of household contents insurance coverage among low-income renters.

"We are pleased to see reference to the pilot led by Fair4All Finance in partnership with IFoA members and others "to explore the uptake of contents insurance among social renters in England" to improve financial resilience in insurance.

"We believe this strategy will help to raise the profile of financial inclusion and we will continue to work with the Government and other organisations on practical solutions so that everyone has access to appropriate and affordable financial products and services."

Appendix 2: Financial Inclusion and Retirement Adequacy

Saving Goals for Retirement

1. At present, there is no consistent public narrative or nationally recognised amount to help individuals understand how much they need to be saving into their pension each month to secure a 'good' retirement.

2. The IFoA's *Savings Goals for Retirement* report aims to address this. Our analysis is based on the Pensions and Lifetime Savings Association's Retirement Living Standards, which set out the cost of three distinct lifestyle levels of retirement: Minimum, Moderate and Comfortable. We have identified three savings goals, linked to these three living standards:

    - people saving at the minimum level mandated by automatic enrolment, and with a full National Insurance record, should be on track to achieve the 'Minimum' retirement living standard;
    - someone on average full-time earnings will need to save around a quarter of their income (26%) to be on track to achieve the 'Moderate' retirement living standard;
    - someone aiming to achieve the 'Comfortable' retirement living standard will need to save more than double what they'd need to save if aiming for a 'Moderate' living standard.

3. These savings goals indicate that people need to be saving well above the automatic enrolment minimum if they are to achieve a 'moderate' standard of living. This is defined as 'being able to access a range of opportunities and choices, have a sense of security and the option to do some of the things that they would like to do'.

4. The IFoA is concerned that people are not on track to achieve this and might not be aware of the problem or what they need to do to address it.

Pension Freedoms

5. Since April 2015 individuals have had greater flexibility in how they can access their pension benefits. For example, retirees are no longer required to take an annuity and can now access their benefits as cash or transfer them to a drawdown arrangement. Collectively, this group of changes became known as 'pension freedoms'. This change offers individuals much more choice and flexibility. The jury is still out as to whether the reforms were a success, but *IFoA Research on Pension Freedoms* over the past decade demonstrates worrying trends in terms of UK pension savers' ability to plan for and drawdown on their pension.

6. A year after launch, the IFoA carried out research into initial public attitudes to these changes. In early 2022, and now in April 2025, we have carried out updated studies to see whether public attitudes to the reforms had changed in the decade since pension freedoms started and to assess the current state of play as to how individuals understand and manage their pensions.

7. Like many organisations, the IFoA remains concerned that many UK households are not saving enough for later life, are not accessing free guidance or paid-for financial advice and remain ill-equipped to deal with the risk of running out of money in retirement.

8. Research was carried out by YouGov on the IFoA's behalf between 14-18 March 2025 and covered 2,166 adults in Great Britain aged over 55. Key findings are as follows:

   - fewer people are taking advice or guidance in 2025 than they did in 2022. When surveyed in 2022, 22% of respondents indicated that they used Government guidance such as 'Pension Wise'. In 2025, that number has reduced to 20%. Furthermore, 43% did not take any advice/guidance at all;

   - in 2025, fewer people understand their options, pension products, or the charges that they might be paying as opposed to 2022. In 2025, only 1 in 4 (25%) fully understand the charges they are paying in their 'defined contribution' pension (26% in 2022). The numbers for those who do not understand those charges at all stands at 17%;

   - in 2025, more people are worried about running out of money in retirement than ever before. When surveyed in 2025, 24% indicated that they were worried about making the wrong decision and running out of money; up 2% from 2022 and almost representing 1 in 4;

   - more people are taking a 25% tax free lump sum in 2025 than in 2022, and fewer people are entering into income drawdown arrangements. The number of survey respondents who indicated they have taken/ or will take the lump sum stood at 60% in April 2025;

   - there is persistent evidence of gender and social imbalances when it comes to accessing pension savings;

   - evidence from 2025 points to fewer people having their regular expenditure in retirement being 100% met by their pension than in 2022.

9. Our most recent 2025 study showed that although more people now perceive the 'pension freedom' changes as beneficial than at the time of their introduction, many people retire without either taking guidance or seeking advice. Furthermore, only 1 in 5 access Government guidance and almost 1 in 4 people worry that they will make the wrong decision and run out of money in retirement. There is also evidence to show that many people have only a limited understanding of the factors that impinge on retirement savings decisions.

10. In 2022, just over half (51%) of those surveyed who had accessed their pension said that they had taken their 25% tax free lump sum – in 2025 that number increased to 60%. For those who did not access a lump sum, less people in 2025 (21%) entered an income drawdown arrangement (26% in 2022) and slightly more (8%) purchased an annuity (6% in 2022).

Pension Gaps

11. We produced two further outputs looking into pension gaps: what causes them, who experiences them and what can be done to make sure people maximise their pension savings. The first phase of our work in this area investigated potential barriers people face when saving for retirement. Launched in September 2024, '*How much could you lose? Opening the conversation on closing the pensions gap*', explored some of the most impactful stages of life for pension savings and the hidden costs of life's decisions on retirement income. Key findings of phase 1 included:

    - not starting a pension: not starting a pension at age 35 instead of 25 could mean a pension pot of only £500,000 at retirement instead of £800,000;

    - opting out of a pension: opting out for 5 years could cause a £100,000 reduction in pension pot;

- for a typical person, not taking advantage of extra contributions of 1% of their salary for 40 years could result in up to a £100,000 loss;
- six months' maternity leave could reduce a pension pot by £30,000 or more;
- ignoring pensions on divorce could mean that one party ends up with more retirement income than the other;
- moving to part-time: moving to 3 days a week for the second half of an individual's career could reduce their pension by £200,000.

12. Phase 2 of our pensions gap work, 'A pension system for the 21st century' produced in partnership with IPSOS, set out recommendations for creating an inclusive pension system fit for the 21st century. This would help to ensure that people in the UK achieve an adequate retirement income, particularly among groups such as part-time workers and the self-employed.

13. The report identifies that pension gaps exist in part because the current pension system does not reflect modern working patterns for an increasing number of people. The current system assumes long uninterrupted careers with one employer, which systematically disadvantages people who are self-employed, work part-time, or need to change their job pattern. These groups are more likely to feel disconnected, overwhelmed, and unsupported in planning for retirement, putting them at a greater risk of retirement poverty. For example, self-employed workers make up 14% of the UK workforce, yet only 18% are saving for retirement compared to 90% of employees.

14. As the UK reforms the 'pensions commission' as part of a review on pensions adequacy, the report proposes a series of recommendations targeted at government, industry and consumer representatives, to adapt and evolve a system so that it remains fit for the future. These include:

- enabling pension savings for the self-employed via flexible auto-enrolment schemes;
- UK Child Saver accounts to embed savings culture from birth;
- encouraging proactive employer and provider communications and support around the impact of life events such as parental leave or reduced working hours;
- exploring the potential of supplementary and complimentary community-based pension models;
- the launch of a national pensions' literacy strategy, building public confidence and ownership of pensions choices; for example, most participants in the research mentioned their bank, but no one named their pension provider, indicating a lack of visibility and connection with pension products.