Tackling the barriers to financial and digital inclusion in Scotland

Exploring the generational experience: a report for Virgin Money

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About Virgin Money

Virgin Money is a UK-based bank serving over 6.6m retail and business customers. Since October 2024, it has been part of Nationwide Building Society Group. As a purpose-led organisation, Virgin Money is committed to **"Banking – but fairer, more rewarding, and for the good of society"**.

Virgin Money recognises the close link between digital inclusion and financial inclusion and is dedicated to ensuring that current and future customers have the tools and knowledge to thrive in an increasingly digital world. Through the Virgin Money Foundation and strategic partnerships and collaborations, the bank drives positive social change as part of its progressive sustainability and ESG agenda. It is the first and only UK bank to support Good Things Foundation's National Databank.

With an inclusive and ambitious culture, Virgin Money supports around 7,000 FTE colleagues in a healthy, flexible, and digitally enabled environment.

About WPI Economics

We are an economics, data insights, policy and impact consultancy, but one that is a little different to many others. We draw on backgrounds in government and the private and charitable sectors to produce work designed to make a difference. We do not do research for research's sake. We are committed to ensuring that everything we do has an impact – which is part of the reason why we recently became a verified B Corporation.

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Foreword

Virgin Money is a multi-channel retail and business bank serving over 900,000 personal and 75,000 business customers across Scotland.

And our experience serving customers face-to-face, by telephone and online has shown us that digital and financial inclusion are intrinsically linked.

With low digital confidence and without access to data or devices, the digitally excluded struggle to find accommodation, apply for benefits, interact with their bank or building society and ultimately pay more for a host of essential services.[1]

As well as having a clear human impact this is also having a significant impact on growth. As this important study has found, the impact on the wellbeing of digitally excluded people in Scotland is estimated to cost around £1.2 billion per year, while digital and financial exclusion results in an additional £32 million stolen from consumers through scams every year.

At Virgin Money we are focussing on inclusive design both in our propositions and at every step of the customer journey. With an award-winning basic bank account and a new vulnerable customer disclosure tool, we are taking clear steps to improve the financial wellbeing of our customers.

However, as this research shows, our relationship with money starts at an early age, which is why we are proud of our Quality Mark accredited free financial education programme, Make £5 Grow. Open to all children in school or learning at home and targeted at those aged 9–11, the programme develops participants financial literacy and entrepreneurial skills. It has supported over 50,000 pupils from over 1,000 schools in Scotland over the last 14 years.

But with so many financial products and services now online, we also recognise the importance of doing our part to support digital inclusion. That is why Virgin Money is proud to be the first bank to take part in the National Databank initiative. This has seen us turn every one of our 36 branches in Scotland into Databanks whereby anyone in data poverty, regardless of whether or not they are a customer, can receive a free SIM card loaded with 25GB of data a month for twelve months.

We have also helped customers access digital skills training through Learn My Way, a free platform that helps build basic online skills, from setting up an email address to re-ordering a prescription, enabling customers to get more out of being online.

Additionally, the Virgin Money Foundation has provided £1.33m to 15 community anchor organisations in Glasgow to support digital inclusion. The Foundation has also trained 248 Virgin Money colleagues as Digital Champions, providing skills training within their communities across the UK, as well as awarding 93 grants to schools totalling £203,000 in Scotland through its Volunteer and Connect fund to increase digital inclusion.

While these steps on digital inclusion are important, as this research has found, there will always be an appetite for face-to-face interactions. That is why, since the acquisition of Virgin

Money by Nationwide Building Society in October 2024, we have been proud to be covered by the Nationwide Branch Promise. By maintaining all existing branches until at least the start of 2028, we can ensure customers can benefit from their channel of choice.

However, we know that to deliver lasting change, particularly when it comes to skills and competency, solutions need to be Government-led. This is why we are so pleased by the level of engagement that the Scottish Government has given to both the issues of digital and financial inclusion in recent years.

We are delighted to have supported this WPI Economics research which shows the full scale of the challenge and, importantly, highlights how different generations are impacted by financial and digital exclusion, underlining the need for a flexible approach.

We agree that taking a lifelong approach to digital and financial inclusion will improve outcomes for individuals and the economy, particularly if supported by the right governance structures.

There is a fantastic opportunity for the Scottish Government to challenge the UK Government to deliver something truly game-changing both for individuals and for the economy as a whole. By co-owning the Financial Inclusion Strategy for Scotland and establishing a Scottish Digital Inclusion Acton Plan, it can build on much of the work that they have already established and make Scotland a leading example of good practice for others to follow.

We hope that this report will help to provide useful insight to the Scottish Government as it looks to tackle these important issues.

Raymond Pettitt
Director of Customer Service at Virgin Money

Executive summary

Bolstering financial and digital inclusion is critical to Scotland's social and economic success. While it may be tempting to assume that this is 'job done' given the current generation joining the workforce are so-called 'digital natives', this research finds this is far from the case.

The experience of those at the more extreme end of digital and financial exclusion has been the subject of significant research, including by Good Things Foundation and the Financial Inclusion Commission.[2] This report – and its UK-wide counterpart – commissioned by Virgin Money and conducted by WPI Economics, instead explores the experiences of different generations and age cohorts when it comes to the wider population's experiences of financial and digital inclusion. Across that wider population, of those we surveyed in Scotland, Gen-Z is just as likely to be digitally or financially excluded as older generations (14%) – almost three times more likely than Millennials (5%).[3] Across our focus group research in Scotland, common reasons for challenges in accessing financial products and services included lacking the skills, knowledge and/or confidence required, and difficult financial circumstances like poor credit ratings. It was also especially notable that Scottish people we spoke to expressed considerably more caution towards using digital financial tools than people from other parts of the UK.

Five key themes emerged from our research in Scotland:

- **Gen-Z and older generations are the age groups most in need of support in tackling digital and financial inclusion.** As noted above, Scotland's Gen-Z adults (14%) and older generations (14%) are almost three times more likely to experience digital or financial exclusion than Millennials (5%). Overall, our survey finds that people in Scotland are less likely to experience digital or financial exclusion compared to the UK-wide population – 7.4% compared to 10.1%.
- **Gen-Z currently lacks broader confidence around financial matters.** Despite financial education being better embedded in the Scottish curriculum than other parts of the UK, 50% of Gen-Z respondents in the Scottish sample said they have low confidence in money management or using financial products. This compares to 47% from the UK-wide sample. Moreover, the confidence gap between Gen-Z respondents and older generations (12%) in Scotland is bigger than in the UK-wide survey, where 47% of Gen-Z reported low confidence in money management or using financial products, compared to 17% of respondents from older generations.
- **Gen-Z is the generation most likely to say they have fallen victim to a scam.** Our research finds that 36% of Gen-Z have been scammed compared to 19% of older generations. They are also the cohort least likely to have done reading or research into how to avoid falling victim to a scam, despite relatively low levels of confidence in being able to spot the signs of a scam.
- **Implementing the shift towards increased levels of digital banking creates different challenges across generations.** While the concerns were different across generations, there was a strong preference expressed within the Scotland focus group for in-person

communication. This was seen as important to navigate the wide variety of options available to customers and to mitigate the risk of being scammed online.

- **Financial education should be life-long.** Across the age cohorts, greater consistency in financial education at school age was seen as important for setting people up to feel more confident about financial capabilities as they become adults. Within the Scottish sample, 72% thought banks and building societies should do more (compared to 68% in the UK-wide sample) and 76% said tech and social media companies should do more and 68% felt thought Government should do more. There was a strong recognition that more needs to be done across the board to engage people in life-long financial education that is tailored to their needs at each life stage.

Our research finds that the personal costs of existing digital and financial exclusion are significant. From our estimates, the annual cost due to higher bill payments means that unbanked households in Scotland face an **additional £62 million per year** in household bill costs. As well as directly-felt financial costs, there are significant wellbeing impacts from digital exclusion, to the value of **£1.2 billion per year**. People are also more likely to have been the victim of a financial scam if they are digitally excluded, with estimates suggesting that digital and financial exclusion leads to an additional 36,000 scam victims each year: this results in an **additional £32 million** stolen from consumers in Scotland every year.

Beyond these individual costs, there are also wider costs for society, the economy, and the Scottish and UK Governments. Our research shows that now is the time to act to support financial and digital inclusion for younger people – the so-called 'digital natives' – as well as to continue to provide the support older generations need. Paying closer attention to the experiences of younger people is vital to enable policymakers and industry to identify what they need now so that these younger cohorts avoid some of the challenges older generations have experienced, while also working to address long-standing barriers faced across generations.

The Scottish Government supports efforts to improve financial and digital inclusion, such as through the Financial Inclusion Strategy produced by Financial Inclusion for Scotland (an independent group of experts from across the private and third sector),[4] and the 2021 Digital Strategy committing to a policy of 'no one left behind' in digital access and skills.[5] However, the implementation of recommendations and initiatives to tackle these issues largely remains at an early stage. Today, digital and financial exclusion remain far from being comprehensively tackled either in Scotland or in the UK more widely. This is why, at a wider UK level, the UK Government's recently published cross-sector Digital Inclusion Action Plan is a welcome step,[6] and the forthcoming Financial Inclusion Strategy is much-needed.[7]

In our UK-wide report, we make a series of recommendations to support the UK Government's current work:

- The Government should create a **Financial and Digital Inclusion Taskforce** made up of policy makers, industry and the third sector, charged with overseeing the seamless delivery of the new Financial Inclusion Strategy and Digital Inclusion Action Plan.

- The **Financial Inclusion Strategy** must be genuinely inclusive for all ages and take a life-long approach.
- The financial services industry should – under the guidance of the Financial and Digital Inclusion Taskforce – **develop a new channel of choice charter**, so that consumers can access the support they need offline as well as online.
- The Government should set a target of becoming the **highest-ranking European country in the Global Financial Inclusion Index**, so that the UK can benefit from increased financial inclusion and growth.

While action taken by the UK Government will improve financial and digital inclusion in Scotland, there is also a role for the Scottish Government to provide a greater strategic lead in pursuing greater levels of financial and digital inclusion within Scotland.

The Scottish Government currently works closely with Financial Inclusion for Scotland. It is critical this collaboration continues beyond any future refresh of the Financial Inclusion for Scotland Strategy so that the Scottish Government can harness devolved powers to boost financial inclusion across all ages in Scotland. More immediately:

- **The Scottish Government should move swiftly to deliver a new Digital Inclusion Action Plan.** Building on this research, this actionable Plan should focus on longer-term support, prevention and tackling structural barriers to digital inclusion in line with the work of the Digital Inclusion Alliance and building on the Connecting Scotland programme.
- **The Scottish Government should use its convening power to establish a Financial and Digital Inclusion Taskforce drawing on the public sector, the financial services industry and key third sector stakeholders.** To address the different generational needs highlighted throughout this research, the Taskforce should focus on joint action for addressing barriers, better coordinating existing initiatives and providing clarity on delivery responsibilities and outcomes.
- **The Scottish Government should commit to using Dormant Assets to provide funding to organisations and initiatives seeking to tackle financial and digital exclusion**, adopting a similar policy to that already in action across England and Wales.[8]

Connecting this to the findings of the UK-wide report, the **UK Government should work closely with the Scottish Government on the UK Financial Inclusion Strategy** and ensure this takes account of the specific needs of Scottish consumers including the strong preference for maintaining in-person services, addressing the higher prevalence of being unbanked in Scotland, and the greater risk of falling victim to a financial scam.

Alongside this, the financial services industry should **develop a new channel of choice charter**, so that consumers can access the support they need offline as well as online. This should be informed by close collaboration between the financial services sector and the Scottish Government (including the Digital Inclusion Alliance), taking account of the Scotland-specific findings on consumer preferences.

1. The scale of the problem: what is the shape of financial and digital exclusion today?

The scope of this research

Digital and financial exclusion can take many forms, so it is important to set out what this research does and does not cover. Our original quantitative and qualitative research is primarily focused on issues of digital and financial access, usage, ability, skills, motivation, confidence and trust.[9] Within this, our focus is on how these wide-ranging challenges play out across the population, and between different generations and age cohorts. As a result, our research starts from the basis of assuming at least some digital and financial capabilities. We conducted an online survey and, as part of this, respondents were asked about their ability to perform 11 digital tasks and six financial tasks: those who were unable to perform three out of 11 digital tasks and two out of six financial tasks are considered to experience digital exclusion and financial exclusion respectively.[10]

Before exploring the links between financial and digital exclusion, it is first important to highlight, in broad terms, what is currently known about each of these forms of exclusion. This section summarises key existing evidence.

Digital exclusion

It is vital that people can afford and access increasingly essential digital technologies and skills to take part in important aspects of everyday life – including access to financial services and products. The inability to fully participate digitally can lead to, amongst other things, an 'offline premium' where people pay more for core services that they cannot access digitally, which often further entrenches financial hardship.[11] The work of organisations like Good Things Foundation is a critical part of mitigating this, with access to digital inclusion hubs and interventions such as the National Databank and the National Device Bank helping to create pathways for tackling digital exclusion.[12]

Digital exclusion operates at several levels, from total digital exclusion through to the challenges of completing more complex tasks online. Digital exclusion can directly result from affordability pressures, a lack of access to devices or data, as well as a lack of ability, skills and motivation. A WPI Economics evidence review for Good Things Foundation and Trussell found that digital exclusion has been rising across all of these measures since 2021, and that these different measures are often interrelated and reinforcing.[13]

The Minimum Digital Living Standards (MDLS) project has sought to create a definition of digital inclusion that applies to a range of household types.[14] MDLS research suggests that more than half (56%) of households with dependent-age children in Scotland do not meet the MDLS – the second highest percentage not meeting MDLS across the UK's regions and nations.[15] Initial findings from Scottish Government-commissioned research to develop a MDLS for Scotland to better inform digital policymaking has noted that a lack of accessible internet, adequate devices and essential digital skills are more prevalent in Scotland, with Scotland's rural communities facing a greater and more diverse risk of digital exclusion than other areas of the UK.[16]

Financial exclusion

Financial exclusion also operates at different levels and impacts people in different ways, both offline and online. The Financial Conduct Authority (FCA) has estimated that around 2% of Scottish households are unbanked (have no current account) – slightly higher than the UK average of 1.6%.[17] Qualitative research by the FCA has also highlighted how those with experiences of the asylum-seeking process, homelessness and rough sleeping, the care sector and the criminal justice system often lack basic financial and digital literacy that means they are often only able to use bank accounts to meet basic needs.[18] Of course, financial exclusion is not only digital: other long-standing barriers include branch closures, limited access to free-to-use cash machines, and lack of identification documents. The latter particularly affects young adults, recent immigrants, people leaving long-term relationships, returnees, and those experiencing homelessness, who often lack utility bills or electoral register entries. The increased digitalisation of financial services, while offering greater convenience to many, has also introduced new forms of exclusion for those with low levels of digital skills and confidence, those who cannot afford the cost of getting online, and those reluctant to share personal data online. This is where the digital exclusion impacts outlined above combine to extend financial exclusion.

Scottish policy context

The Scottish Government is supportive of a Financial Inclusion Strategy produced by Financial Inclusion for Scotland – an independent group of experts from across the private and third sector.[19] However, implementing recommendations and initiatives within this strategy are at an early stage.

The Scottish Government introduced a Digital Strategy in 2021 that committed to a policy of 'no one left behind' in digital access and skills.[20] A number of initiatives have been introduced since then, including:[21]

- **Connecting Scotland** – a programme where Government and third sector organisations collaborate to provide internet-enabled devices, connectivity and digital skills support to people who are digitally excluded... Since publication of a Full Business Case in 2023,[22] Connecting Scotland has evolved from an emergency response set up during the Covid-19 Pandemic into a sustainable initiative, with a shift in emphasis towards long-term support and addressing structural barriers. The Scottish Government paused funding in 2024/25 for Connecting Scotland's devices and connectivity scheme which provides free iPads and Chromebooks to digitally excluded people;[23]
- the **Scottish Digital Inclusion Alliance** to coordinate cross-sector activities and collaboration to addressing barriers to digital inclusion;
- updating the Scottish Digital Participation Charter into the **Scottish Digital Inclusion Charter** to focus on recognising organisations that promote and support digital inclusion amongst staff, service users and customers.

An Audit Scotland evaluation of the Scottish Government's work to tackle digital exclusion concluded that, with the exception of Connecting Scotland, most of the Scottish Government initiatives to address digital exclusion are still at an early stage with limited progress. The evaluation recommended the creation of a Digital Inclusion Action Plan to provide clarity on expected outcomes, delivery responsibilities and approaches to collaboration.[24]

2. Exploring the links between financial and digital exclusion

This section outlines key findings from our original quantitative and qualitative research, with a focus on those most relevant to Scotland. Overall, the Scottish data shows that 7.4% of people surveyed experienced digital or financial exclusion compared to 10.1% of the UK-wide sample. 3.9% experienced only digital exclusion (compared to 4.3% UK-wide), 1.5% of people experienced only financial exclusion (compared to 2.3% UK-wide) and 2% experienced both digital and financial exclusion (compared to 3.5% UK-wide).

While financial and digital exclusion impacts some groups more intensively than others, our research found that it affects a broad range of demographics, with a degree of exclusion experienced across the whole population. Our survey found that Gen-Z are just as likely to experience digital or financial exclusion as older generations in Scotland: 14% of Gen-Z adults experience digital or financial exclusion compared to 5% of Millennials and 14% of older generations. 7% of people with household incomes of less than £25,000 experience digital or financial exclusion compared to 4% of people with household incomes of more than £55,000.

Throughout the research we have identified three thematic areas in which challenges arise: experiences with financial products and services; financial awareness and knowledge; and the identification of scams. These are explored in more detail in the UK-wide report, with the key findings of note for Scotland drawn out here.

Experiences of financial products and services

Access to products and services

Our survey found challenges with access to basic financial products and services. Just under 5% of adults surveyed said that they do not have access to a current account, just over a quarter (26%) do not have access to savings and almost a third (32%) do not have access to a credit card. Looking at more advanced financial products, our survey respondents reported far lower rates of usage: a majority of people surveyed do not use or have access to loans (71%), overdraft facilities (63%), or investments (62%). In addition, 57% said they do not use Buy-Now-Pay-Later products. This was corroborated by focus group discussions which found that the most commonly difficult-to-access financial products include credit cards, buy-now-pay-later services and loans.

Focus group participants in Scotland highlighted that they felt access was limited by a combination of factors, including a difficulty in opening bank accounts across both online and in-person settings. This, in part, could explain the higher number of people in Scotland without a current account compared to the UK average. Moreover, the wide variety of options that were available were often seen as confusing to navigate alone due to insufficient knowledge about what would be suitable for them and the lack of ability to easily discuss this with someone.

One participant in the focus group, Dave, 39, told us:

> *"More recently I've been doing quite a lot of studying and research and watching video after video about what to put your money into and what's the best way to get rid of your debt. There's so many things and they're conflicting and sometimes you just want somebody to tell you."*

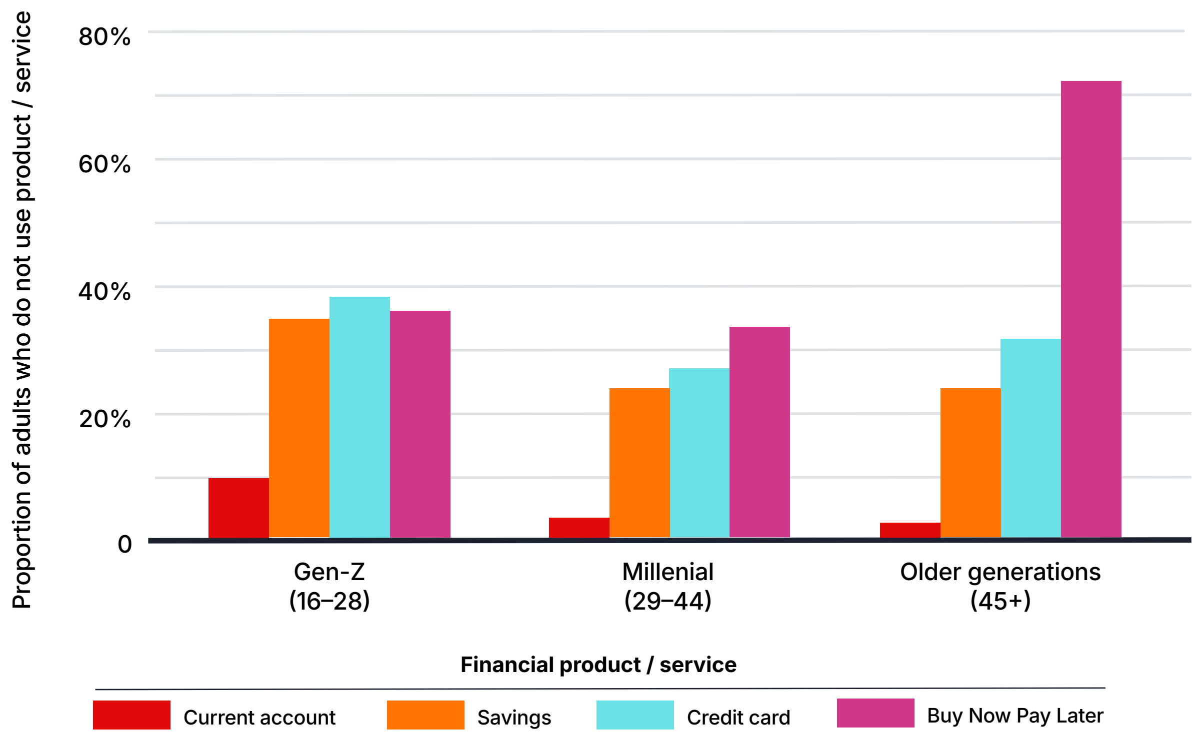
Means of access

Regardless of the type of financial product or service, our survey found that more than nine in 10 users access these services online, either via a computer, mobile phone or tablet app. This varies quite significantly by the type of service in the Scottish sample: current accounts (85% of respondents access online), savings (67%), credit cards (62%), overdrafts (32%), investments (34%) and loans (25%).

Looking at financial product and service usage across different generations, the survey pointed to different patterns of usage. Within the Scottish sample:

- 11% of Gen-Z said they do not use a current account compared to 4% of Millennials and 3% of older generations.
- 39% of Gen-Z do not use savings compared to 26% of Millennials and 33% of older generations.
- Gen-Z were the least likely to use a credit card (61%) compared to Millennials (75%) and older generations (68%).
- Almost three-quarters of older generations (73%) do not use Buy-Now-Pay-Later products, compared to 34% of Millennials and 37% of Gen-Z.

Figure 1: Proportion of adults who do not use various financial products / services



Source: Censuswide polling for WPI Economics / Virgin Money

Difficulty in using financial products online

Our survey found that fewer than one in 10 people report that they have difficulty using basic financial products online – current accounts (5% have difficulty), savings (5%) and credit cards (5%) – and a little more than one in 10 struggle to use more advanced products such as investments. After further probing on why they find these products difficult to use, many people said it was due to a lack of knowledge on how to use the product effectively. This was the case for:

- 48% of people who have difficulty using current accounts online.
- 31% of people who have difficulty using savings online; and
- 25% of people who have difficulty with online usage of credit cards.

However, our survey found that there are clear generational differences in who struggles to use these products. Table 1 shows that Gen-Z are more likely than both Millennials and older generations to have difficulty in using all financial products online, except for current accounts where Gen-Z and older generations report the same proportions experiencing difficulty.

One of our focus group participants, James, 61, told us:

> *"Sometimes my Wi-Fi is not great in the house so that's why I like to go into the branch sometimes and use their computers or Wi-Fi."*

Table 1: Proportion of people who find a financial product / service difficult to use online

Financial product / service	Gen-Z (16–28)	Millennials (29–44)	Older generations (45+)
Current account	6%	5%	6%
Savings	10%	5%	3%
Credit card	8%	5%	4%
Overdrafts	20%	8%	3%
Investments	24%	10%	12%
Loans	19%	12%	0%
Buy-Now-Pay-Later	17%	3%	3%

Source: Censuswide polling for WPI Economics / Virgin Money.

Across the focus group in Scotland, common reasons for challenges in accessing financial products and services included lacking the skills, knowledge and/or confidence required to sufficiently access financial products and services, and difficult financial circumstances such as poor credit ratings. What was especially notable about the Scotland focus group compared with other focus groups was the caution expressed towards using digital financial tools. For example, banking apps were seen as not especially user-friendly and there was a scepticism around using AI chatbot functions.

One of our focus group participants, Edward, 28, told us:

> *"I went on the [banking] app to get a new mortgage and it had four deals but then I wasn't really sure what to go for, so I arranged to have a meeting with one of their financial advisors and he ended up sorting out something that was much better suited to what I could afford."*

Financial awareness and knowledge

Financial skills and knowledge

Just under one in six (16%) of Scottish adults surveyed stated that their knowledge of financial matters was very low and a quarter (25%) stated that they had very low confidence in managing their money or using financial products and services.

Gen-Z are the most likely to say that they have very low knowledge of financial matters (26% of those surveyed) and half (50%) stated that they have very low confidence in money management or using financial products. The low confidence in financial knowledge and money management amongst Gen-Z in Scotland is broadly in line with our UK-level findings (28% and 47% of those surveyed respectively). This is especially notable given financial education is better embedded in the Scottish school curriculum than in other parts of the UK. Indeed, the Money and Pensions Service's Children and Young People's Financial Wellbeing Survey reports that 52% of children living in Scotland have received meaningful financial education at school – higher than both the UK average and other UK nations.[25]

One of our focus group participants, Hazel, 43, told us:

> *"Sometimes you think you don't necessarily have the confidence to know that you're making the right decision just by Googling it and searching on the different comparison websites. Sometimes it's nicer to speak to a real person."*

From the survey, there were no notable differences in levels of financial knowledge between low-income (below £25,000) and high-income households (above £55,000) in Scotland. For example, around a quarter of households in both income groups reported having very low confidence in financial matters.

Digital skills and knowledge

A majority (61%) of adults surveyed self-evaluated that their digital skills are strong, but there are generational differences, with Millennials (75%) and Gen-Z (70%) more likely to be confident in their digital skills than older generations (51%).

Sources of information

Having access to information on - and support with - managing finances and making financial decisions is important for building financial confidence. Around two-thirds (65%) of Scottish adults surveyed are confident that they are making the correct financial planning choices. This confidence is highly correlated with whether people feel they are supported in their decisions:

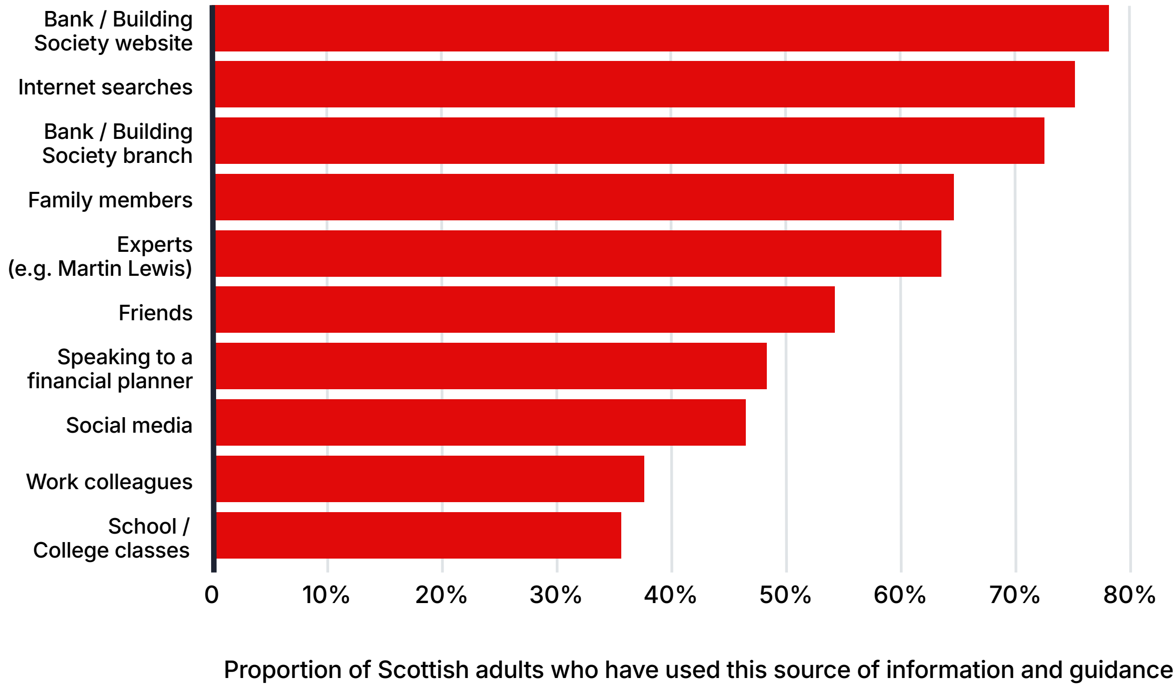
- Among the 73% of adults who feel that they have the information, guidance and support needed to manage their finances, a large majority (80%) feel confident in their financial planning choices.
- But among adults who do not feel they have the necessary information and support, only a quarter (25%) feel confident in those same choices.

A vast majority (88%) of people have at some point received information and guidance on financial planning and services from more expert/formal sources – banks, building societies, financial planners and experts – and 87% have used other more informal sources of information – family members, friends, colleagues, internet searches and social media. The most-used sources are bank or building society websites (79%), internet searches (76%) and bank or building society branches (72%), but the least-used source was formal education, with just 36% of adults saying they received any information or guidance on financial issues in school or college.

Speaking at one of our focus groups, James, 61, said:

> *"Maybe adults should be going for classes. You know there must be a lot of people out there that are left struggling with their finances."*

Figure 2: Proportion of Scottish adults who have used each source of information or guidance



Source: Censuswide polling for WPI Economics / Virgin Money

Just over two-thirds (71%) of Scottish adults surveyed would like more help and support to make financial decisions. During the focus group discussions, Anna, 47, went on to tell us that:

> *"I don't have enough time to do everything, or to do the research that I want… I end up going to speak to a real person."*

The most common support desired was for understanding which products and services might benefit them (38% of those surveyed), followed by help choosing the specific product that benefits them the most (37%). Just under a quarter (24%) of respondents also wanted help in boosting their digital skills to be more confident in managing their finances online. When asked about who should provide this support, banks and/or building societies were the most popular choice (73%) followed by the Government and other public bodies (68%).

Recognising financial scams

70% of Scottish adults surveyed are worried about the sophistication of scams. A key driver of whether someone is worried about being targeted online by scammers is whether they or someone they know has been the victim of an online financial scam in the past: in Scotland, 45% of people who have not been – or do not know – a victim of an online financial scam are worried about being targeted by scammers (compared to 11% in the UK-wide sample), which rises to 67% among people who have been or know a previous victim of online financial scams. Focus group discussions revealed that those in Scotland were more fearful about the risk of being scammed than the other focus groups we conducted, as most had known someone who has been scammed.

During our focus group discussions, Hazel, 43, shared:

> *"I nearly had a vast amount of money scammed from myself, but thankfully [the retailer] flagged up and saved me that. Ever since that happened, I've been a little bit more vigilant."*

Edward, 28, told us:

> *"I certainly noticed with my parents or colleagues [who] are a bit older, just not being as aware of what like phishing scams and stuff like that look like."*

Within the Scottish sample, Gen-Z are the least likely to be confident in avoiding scams (66%, compared to 79% of Millennials and 73% of older generations) and most likely to be scammed (36%, compared to 31% of Millennials and 19% of older generations). This contrasts with the UK-wide findings where Gen-Z displayed higher levels of confidence, but they were still most likely to be scammed in practice. Gen-Z are also least likely to have done any reading about what to look out for in order to avoid a financial scam – 64%, compared to 75% of Millennials and 82% of older generations.

3. The personal costs of digital and financial exclusion in Scotland

Digital and financial exclusion has significant impacts on the individuals directly affected. Aside from the financial impacts, there are also clear mental health and wellbeing impacts. The Money and Mental Health Policy Institute reports that, as of 2024, one in 10 adults in the UK are behind on credit card payments, and half of these individuals have experienced suicidal thoughts as a result.[26] Additionally, the connection between over-indebtedness and mental health issues can negatively affect productivity at work or lead to an inability to work.[27] Our survey also found that 50% of scam victims report worsening mental health as a result of being targeted by scammers, and 46% state that it has made them less likely to access financial services online as a result. Modelling for this report provides estimates of three of the key areas of costs.

Additional costs from not having a bank account

There are an estimated 104,000 households in Scotland who do not have access to a bank account.[28] Households without access to a bank account face additional costs when paying bills and everyday expenses as they are unable to access better rates and payment plans without a bank account. It is estimated that the annual cost due to higher bill payments of not having a bank account is £598 per household per year,[29] which means that unbanked households in Scotland face an additional £62 million per year in household bill costs.

Lost value of lower wellbeing among the digitally excluded

There are an estimated 270,000 adults in Scotland who are digitally excluded. Digital exclusion is associated with lower wellbeing: after controlling for other characteristics, digitally excluded people have an average wellbeing score 0.8-0.9 points lower than those who are not digitally excluded on a 10-point scale. Converting this loss of wellbeing into monetary terms has an estimated **value in Scotland of £1.2 billion per year**.[30]

Cost of additional scam victims as a result of digital and financial exclusion

People are more likely to have been the victim of a financial scam if they are digitally excluded (33% have been victims), financially excluded (40%) or both digitally and financially excluded (44%) than if they are not excluded (27%). This means that digital and financial exclusion leads to an additional 36,000 scam victims in Scotland each year. Based on an estimated average amount stolen per fraud case of £897,[31] digital and financial exclusion results in an **additional £32 million stolen from consumers in Scotland by scams every year**.

4. Bring this together – what next?

The previous sections of this summary, and the UK-wide report, have highlighted the scale and nature of digital and financial exclusion in Scotland and some of the potential costs this leads to. Our primary research also demonstrates that people want more support to improve their digital and financial skills and confidence. Providing this is vital. This report finds that Gen-Z are just as likely to be digitally or financially excluded as older generations. Within the Scottish sample, a smaller percentage (2%) experience both digital and financial inclusion than in the UK-wide sample. However, 14% of Gen-Z adults experience digital or financial exclusion compared to 5% of Millennials and 14% of older generations.

Acting now to support financial and digital inclusion for younger generations would mean they can avoid some of the challenges and barriers older generations have already experienced. Continuing to tackle the problems among older generations can then improve their outcomes, as well as providing an important source of support and guidance for their children. Supporting people to gain the skills, access, products and services they need would reap significant benefits. From our estimates, the annual cost due to higher bill payments means that unbanked households in Scotland face an **additional £62 million per year** in household bill costs. As well as directly-felt financial costs, there are significant wellbeing impacts from digital exclusion, to the value of **£1.2 billion per year**. People are also more likely to have been the victim of a financial scam if they are digitally excluded, with estimates suggesting that digital and financial exclusion leads to an additional 36,000 scam victims each year: this results in an **additional £32 million** stolen from consumers in Scotland every year.

This is not a case of consumers simply requiring more knowledge or skills – it requires a series of changes across the system that together can reduce the impacts on individuals, society and the Exchequer. Many of these policies should be UK-wide given the far-reaching nature of some of the challenges with digital and financial inclusion. That is why the UK-wide report recommended that:

1. The Government should **create a Financial and Digital Inclusion Taskforce** made up of policy makers, industry and the third sector, charged with overseeing the seamless delivery of the new Financial Inclusion Strategy and Digital Inclusion Action Plan.
2. The **Financial Inclusion Strategy must be genuinely inclusive for all ages** and take a life-long approach.
3. The financial services industry should – under the guidance of the Financial and Digital Inclusion Taskforce – **develop a new channel of choice charter**, so that consumers can access the support they need offline as well as online.
4. The Government should set a target of becoming the **highest-ranking European country in the Global Financial Inclusion Index**, so that the UK can benefit from increased financial inclusion and growth.

However, there is also a role for specific action to be taken by the Scottish Government to provide a greater strategic lead in pursuing greater levels of financial and digital inclusion within Scotland.

The Scottish Government currently works closely with Financial Inclusion for Scotland. It is critical this collaboration continues beyond any future refresh of the Financial Inclusion for Scotland Strategy so that the Scottish Government can harness devolved powers to boost financial inclusion across all ages in Scotland. More immediately:

- **The Scottish Government should move swiftly to deliver a new Digital Inclusion Action Plan.** Building on this research, this actionable Plan should focus on longer-term support, prevention and tackling structural barriers to digital inclusion in line with the work of the Digital Inclusion Alliance and building on the Connecting Scotland programme.
- **The Scottish Government should use its convening power to establish a Financial and Digital Inclusion Taskforce drawing on the public sector, the financial services industry and key third sector stakeholders.** To address the different generational needs highlighted throughout this research, the Taskforce should focus on joint action for addressing barriers, better coordinating existing initiatives and providing clarity on delivery responsibilities and outcomes.
- **The Scottish Government should commit to using Dormant Assets to provide funding to organisations and initiatives seeking to tackle financial and digital exclusion**, adopting a similar policy to that already in action across England and Wales.[32]

Connecting this to the findings of the UK-wide report, the UK Government should work closely with the Scottish Government on the UK Financial Inclusion Strategy and ensure this takes account of the specific needs of Scottish consumers including the strong preference for maintaining in-person services, addressing the higher prevalence of being unbanked in Scotland, and the greater risk of falling victim to a financial scam.

Alongside this, the financial services industry should develop a new channel of choice charter, so that consumers can access the support they need offline as well as online. This should be informed by close collaboration between the financial services sector and the Scottish Government (including the Digital Inclusion Alliance), taking account of the Scotland-specific findings on consumer preferences.

These actions by the Scottish and UK Government would provide a vital starting point for achieving these goals and, if delivered, we believe it could fundamentally improve financial and digital inclusion right across Scotland and the rest of the UK.

References

1 The Centre for Social Justice (2023) Left Out: How to tackle digital exclusion and reduce the poverty premium (supported by Virgin Money).

2 For example, see: Good Things Foundation (2024) Digital inclusion: What the main UK datasets tell us and The Centre on Household Assets and Savings Management and the Financial Inclusion Commission (2024) Financial Inclusion in the UK.

3 Gen-Z is defined as 16–28-year-olds for the purposes of our survey, Millennials as 29-44 and older generations as 45+.

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5 Scottish Government (2021) A Changing Nation: How Scotland will thrive in a Digital World.

6 Department for Science, Innovation & Technology (2025) Digital Inclusion Action Plan: First Steps.

7 HM Treasury (2024) Help for vulnerable Brits to access banking and credit in spotlight.

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9 Detail of the scope across focus groups and two surveys can be found in Annex 1 of the UK-wide report.

10 These are an adapted subset of Lloyds' Essential Digital Skills for Life. More detail on these questions and tasks, as well as the method used to define digital and financial exclusion, is set out in Annex 2 of the UK-wide report.

11 The Centre for Social Justice (2023) Left Out: How to tackle digital exclusion and reduce the poverty premium (supported by Virgin Money).

12 Good Things Foundation, Our digital inclusion services.

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14 The following definition was agreed: *A minimum digital standard of living includes, but is more than, having accessible internet, adequate equipment, and the skills, knowledge and support people need. It is about being able to communicate, connect, and engage with opportunities safely and with confidence*.

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27 FCA (2024) Catalysing productivity and growth: A change in mindset on financial inclusion.

28 This is based on a survey of 500 adults in Scotland and is broadly similar to findings from the 2024 Financial Lives Survey. See: FCA (2025) Financial Lives 2024 survey: Financial inclusion – Selected findings.

29 Based on 2019 research by Pockit, reported as £485 uprated to 2024 prices. See: Pockit (2019) The Banking Poverty Premium.

30 Based on the Green Book valuation of a WELLBY. See Annex 3 of the UK-wide report for further details on methodology.

31 This is an average of two sources: £1,400 from CIFAS and £394 from UK Finance. See: CIFAS (2024) Scammers stole £11.4 billion from UK people in last 12 months and UK Finance (2024) Annual Fraud Report 2024.

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