Tackling the barriers to financial and digital inclusion

Exploring the generational experience: a WPI Economics 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 c.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 from Virgin Money

At Virgin Money we recognise 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 UK growth. As this important study has found, the wellbeing impact from being digitally excluded is estimated to have a monetary value of around £16.9 billion per year, while digital and financial exclusion results in an additional £568 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 200,000 pupils from over 3,000 schools in 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 91 branches 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. So far, we have distributed over 3,300 SIM cards to help get people online.

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 £2.8m in funding to community anchor organisations to support the delivery of bespoke and accessible digital skills training to hard-to-reach groups in the North East of England and Glasgow, two areas experiencing high levels of Digital Poverty. The Foundation has also trained 225 Virgin Money colleagues as Digital Champions, providing skills training within their communities, and it has issued over £400,000 in grants through its Volunteer and Connect fund to help schools increase digital inclusion across the UK.

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. This ensures 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 that the Government has made public commitments to promote financial and digital inclusion.

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 Government to deliver something truly game-changing both for individuals and for the economy as a whole. We hope that this report will help to provide useful insight to Government as it finalises its strategy on financial and digital inclusion.

Raymond Pettitt
Director of Customer Service at Virgin Money

Executive summary

Digital and financial exclusion impacts people right across the UK. The impacts of digital and financial exclusion can be devastating, particularly where people cannot access the services they need. This extends not only to banking products and services but also a wide range of other areas including accessing social security, social tariffs and even applying for jobs. By locking people out of accessing key areas of financial assistance, digital exclusion can be a driver in pushing people into some of the deepest forms of poverty.

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 research is primarily focused on issues of digital and financial access, usage, ability, skills, motivation, confidence and trust. Within this, our focus is on how these wide-ranging challenges to inclusion 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. *It does not centre on the experiences of those with no online or financial access.*

The experiences of those at the more extreme end of digital and financial exclusion have been the subject of significant research, including by Good Things Foundation and the Financial Conduct Authority.[2] Rather than duplicate this existing excellent work, this report – commissioned by Virgin Money and conducted by WPI Economics – seeks to explore how current and emerging gaps in digital and financial inclusion impact the wider population and how those experiences differ by generation. As such, 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.[3] We also conducted in-person focus groups to widen the range of perspectives we heard.

While much has already been done to try to tackle digital and financial exclusion,[4] this research shows that considerably more work is needed. Even outside the worst experiences of exclusion, there is a clear gap between the confidence people say they have in accessing financial services and the reality of different generations' abilities to secure the services and products they need online. To explore the problems and potential solutions in more depth, we focused on the different experiences of Gen-Z (aged 16–28 years), Millennials (aged 29–44 years) and older generations (aged 45+ years), as well as separately surveying 12–15-year-olds.

The five key themes identified in our original research are:

- **Gen-Z is more likely to be digitally and financially excluded.** This was evidenced in both the survey and focus groups. Gen-Z survey respondents were twice as likely as Millennials to experience both digital and financial exclusion – 7% compared to 3% Gen-Z was less likely to access key financial products and services online than older generations. This could reflect the fact that Gen-Z is also the least likely to be confident using the internet to manage their finances: 68% compared to 74% of Millennials and 77% of the older generations.

- **Gen-Z currently lacks broader confidence around financial matters.** 47% of Gen-Z respondents said they had low confidence in money management or using financial products. In contrast, only 17% of respondents from older generations said this was the case for them. Some of this will be down to experience, but in focus group discussions younger participants shared that they struggled with the distinction between the ease of accessing banking and financial services (digitally or otherwise) and whether they personally met criteria that would allow them to access financial products (for example credit scores, baseline savings, qualifying for low interest rates).
- **Gen-Z's higher confidence in spotting scams is not protecting them in practice.** In both polling and focus group research, Gen-Z expressed high levels of confidence in being able to spot signs of scams, saying that this is more of an issue for older generations. However, we found that, in practice, Gen-Z is the generation most likely to be a victim of a scam – 29% of those surveyed as compared to only 13% of older generations. This younger cohort is also the least likely to know what to do if they think they have been scammed and the least likely to follow safe online practices.
- **Implementing the shift towards increased levels of digital banking creates different challenges across the generations.** Across the different age-based focus groups, there was some concern raised about the increasing prevalence of digital services. The importance of human interaction was emphasised repeatedly by both older generations who felt they lacked digital and technical skills and by younger generations who need guidance on the products and services that are right for them. While the concerns were different across generations, the research found that the ability to talk to someone remains valuable. Despite the many convenience-related benefits of digital banking, there remain gaps in ensuring people can get the choice of support they need.
- **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 their financial capabilities as they became adults. In addition, around two-thirds (68%) of adults surveyed also believe that banks and building societies should be doing more to help their customers make the right financial choices. A similar proportion (66%) think that government should be doing more to help people access information, guidance and support on these issues. 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 the needs of each life stage.

Our research also finds that the costs of existing digital and financial exclusion are significant:[5]

- We estimate that unbanked households face an **additional £645 million per year** in household bill costs.
- As well as direct financial costs, there are significant wellbeing impacts of digital exclusion, which we have estimated to have a value of **£16.9 billion per year**.
- Our survey data on scams indicates that digital and financial exclusion could lead to an additional **633,000 scam victims** each year, which could result in an **additional £568 million stolen** from consumers by scams every year.

Beyond these individual costs, there are also wider costs for society, the economy and the Exchequer.

With such high potential costs impacting individuals and economic growth, 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 to continue to provide the support older generations need. It is vital that policymakers and industry pay closer attention to the experiences of younger people to help 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. This is particularly true given the generational gaps exposed in our research, and the costs of failing to tackle the problem. Overall, digital and financial exclusion remain far from being comprehensively tackled, which is why the forthcoming Financial Inclusion Strategy is much needed,[6] alongside the recently published cross-sector Digital Inclusion Action Plan.[7]

Our four recommendations focus on how these two initiatives can be brought together to ensure their impact is more than the sum of their parts and are genuinely inclusive for all ages and take a life-long approach. This centres on establishing a new government, industry and third-sector Taskforce established to join up the delivery of the Financial Inclusion Strategy and Digital Inclusion Action Plan. This Taskforce would make each participant more than the sum of its parts and ensure that the best existing initiatives can be scaled up to improve outcomes across the UK. This report also makes clear people's ongoing need to be able to speak to someone to get the support they need – this must be retained to ensure that financial inclusion can be bolstered in-person as well as online. Finally, this action should be underpinned by robust targets for the UK so that it can rival the success of Singapore and several European countries in combining strong economic growth with high levels of financial inclusion. The final section of the report sets out how this can be achieved in practice so that the high personal, economic and societal costs of digital and financial exclusion can be tackled.

Introduction

Many people in the UK are unable to access everyday banking activities. The latest research from the Financial Conduct Authority (FCA) finds that around a quarter (23%) of UK adults have issues accessing financial products or services.[8] A key contributor to this is a lack of digital inclusion, which is now a passport to greater financial inclusion across both banking products and services and a wide range of areas including accessing social security, social tariffs and even applying for jobs.[9] By locking people out of accessing key areas of financial assistance, digital exclusion can be a driver of some of the deepest forms of poverty.[10]

This makes financial inclusion and digital inclusion key consumer policy agendas for both the Government and industry. The Government has recently established a Financial Inclusion Committee (with a digital inclusion and access to banking sub-group) and published a UK-wide Digital Inclusion Action Plan, which is guiding the formation of the Digital Inclusion Action Committee. The Digital Inclusion Action Plan highlights that those who cannot use digital technologies are likely to have fewer job opportunities, pay more for certain transactions and find it more difficult to manage their finances.[11]

Improving financial and digital inclusion also matters for economic growth, which is borne out by the correlation between economic success and financial exclusion. For example, as a successful global financial centre, Singapore also leads the Global Financial Inclusion Index. This suggests a potential opportunity for the UK, which ranked 11th in the same index in 2024 having fallen from 7th in2023, despite hosting the second-largest global financial centre.[12] Closing this gap is vital for the UK to boost consumer outcomes, increase access to opportunities, and support the economy.

Grasping this opportunity will require a simultaneous focus on tackling both financial and digital exclusion.[13] However, the relationship between the two is relatively underexplored. To tackle this, our research seeks to deepen the understanding of how financial and digital exclusion together impact on people right across the UK. Of particular interest to our research was how financial and digital exclusion compares across age cohorts – Gen-Z (aged 16–28 years), Millennials (aged 29–44 years) and older generations (aged 45+ years) – and in different parts of the UK. A separate report exploring financial and digital exclusion in Scotland accompanies this publication.

This focus on the different generations is important. It is often assumed that younger generations are fully digitally native. However, while some young people are adept at certain aspects of digital life (such as using social media), many struggle with other basic online tasks that are important to everyday life.[14] This includes financial matters, with almost half (46%) of 15-18 year olds lacking the confidence or knowledge to use digital tools to make financial decisions.[15] Bringing together existing evidence, original polling of 3,000 adults, polling of 250 12–17-year-olds, focus group research and stakeholder discussions, this report sets out:

- **The scale of the problem** – who is affected and how? How are digital and financial inclusion linked, and why?
- **The costs of the problem** – what is the personal, societal and economic cost of digital and financial exclusion?
- **What can be done** (by industry and policymakers) to tackle the problem, and what would be the benefits of action?

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

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.[16] 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.[17]

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 The Trussell Trust found that digital exclusion has been rising across all these measures since 2021, and that these different measures are often interrelated and reinforcing.[18]

Looking across these different measures, we can see that:

- Around a quarter (23%) of UK households in January 2025 struggled to afford digital communication services.[19]
- 6% of the UK population have no internet access at all (a level that has remained stable since 2021).[20]
- Lloyds Bank's 2024 Consumer Digital Index and Essential Skills Report estimates that around 15% of the UK's population lacks Foundation-level Essential Digital Skills, 7% lack Essential Digital Skills for Life and 18% lack Essential Digital Skills for Work.[21]
- Those under the greatest financial pressure are more likely to struggle with digital access, with one in five of those on the lowest incomes digitally excluded.[22]
- Having a low income is one of the key determinants of whether people lack the digital skills to adequately access online banking.[23]

Pulling all of this together, the Minimum Digital Living Standards (MDLS) project has sought to create a definition of digital inclusion that applies to a range of household types.[24] MDLS research on households with dependent-age children suggests that just under half (45%) do not meet the MDLS – equivalent to 3.7 million households with children in the UK.[25]

Financial exclusion

Financial exclusion also operates at different levels and impacts people in different ways, both offline and online. The Financial Inclusion Commission has estimated that around 5% of UK households are unbanked (have no current account).[26] 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 all often lack basic financial and digital literacy. This means they are often only able to use bank accounts to meet basic day-to-day needs, rather than being able to access a wider range of financial services such as savings or credit.[27]

Of course, financial exclusion is not only digital: other long-standing barriers include the availability of face-to-face banking services, access to free-to-use cash machines and deposit services, and the ability to provide identification documents. The latter particularly affects young adults, recent immigrants, people leaving long-term relationships, returnees, and the homeless, who often lack utility bills or electoral register entries.[28] The increased digitisation 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.[29] This is where the digital exclusion impacts outlined above combine to extend financial exclusion.

These shifts have also created a heightened risk of falling victim to scams, with £571.7 million lost to unauthorised fraud in the first half of 2024.[30] Evidence suggests a correlation between low levels of financial literacy and poor abilities to detect fraud. Additionally, access to affordable credit remains a significant issue, with more than nine million adults (19% of the population) declined credit in the 12 months since April 2022.[31]

Scope of this research

As the section above notes, 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 research is primarily focused on issues of digital and financial access, usage, ability, skills, motivation, confidence and trust. Within this research, 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. This original research does not consider the most extreme forms of digital and financial exclusion, as there is already excellent work by others that explores this in detail. This includes work by the FCA and Financial Inclusion Commission on financial exclusion,[32] and on digital exclusion by the Digital Poverty Alliance and Good Things Foundation.[33]

2. Exploring the links between financial and digital exclusion

This section outlines key findings from our original quantitative and qualitative research with people across the UK.[34] 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.[35]

Overall, the results found that 10.1% of people surveyed experienced digital or financial exclusion: 4.3% of people experience only digital exclusion; 2.3% of people experience only financial exclusion; and 3.5% of people experience both digital and financial exclusion.

Our survey found that those experiencing exclusion are more likely to be younger and have lower household incomes:

- 15% of Gen-Z (aged 16–28) experience digital or financial exclusion, compared to 8% of Millennials (aged 29–44) and 9% of older generations (aged 45+).
- 12% of people with household incomes of less than £25,000 experience digital or financial exclusion compared to 6% of people with household incomes of more than £55,000.

However, while financial exclusion impacts some groups more intensively than others, our research finds that it affects a broad range of demographics, with a degree of exclusion experienced across the whole population. For instance, all respondents in our focus groups reported some difficulty accessing financial products, particularly credit-related items such as credit cards, buy-now-pay-later services, and loans. Older generations also noted some challenges with online banking, as might be expected. Other findings were more surprising; for example, Gen-Z survey respondents were twice as likely as Millennials to experience both digital and financial exclusion. Additionally, Gen-Z respondents reported less confidence in using the internet to manage their finances compared to Millennials and older generations.

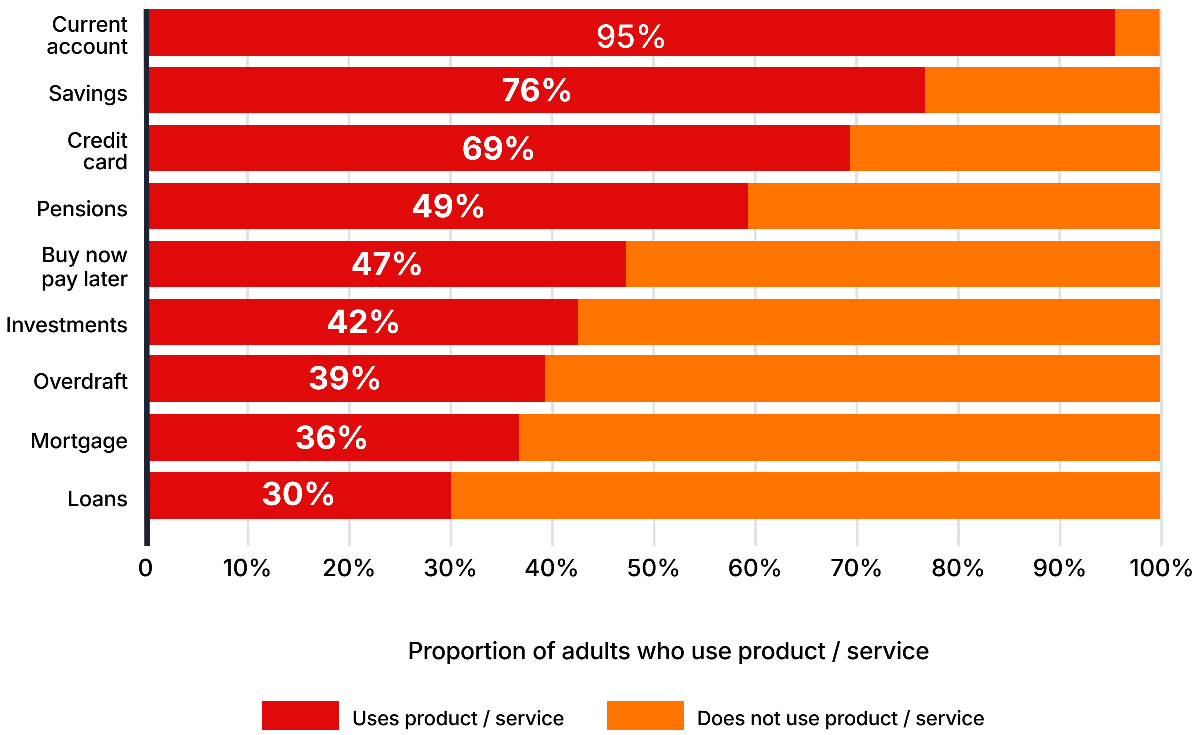
Throughout the research we have identified three thematic areas in which challenges arise: experiences with financial products and services; financial awareness and knowledge; and the identification of scams. These are explored in more detail below.

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, almost a quarter (24%) do not have access to savings and almost a third (31%) 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 (70%), overdraft facilities (61%), or investments (58%). 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.

Figure 1: Usage of financial services and products



Source Censuswide polling for WPI Economics / Virgin Money

Focus group participants highlighted that they felt access was limited by a combination of factors, which include lacking the skills needed to find the right services and products, insufficient knowledge about what would be suitable for them and poor confidence in making choices. For some, this was compounded by difficult financial circumstances such as a poor credit rating, which was then made worse by a lack of financial knowledge and a low confidence in accessing reliable information sources. Across the different age groups, great value was placed on being able to speak with someone over the phone or in person when discussing financial matters.

Means of access

Regardless of the type of financial product or service, our survey found that more than four in five users access these services online – either via a computer, mobile phone or tablet. People who experienced both digital and financial exclusion are far less likely to access financial services and products online (see Table 1). For example, just 55% of people who are digitally and financially excluded access a current account online compared to 90% of people who experience no exclusion.

Table 1: Proportion of users who access financial products online

Financial product / service	Both digital and financial exclusion	Financial exclusion only	Digital exclusion only	No exclusion
Current account	55%	74%	83%	90%
Savings	58%	73%	83%	88%
Credit card	58%	74%	81%	86%
Overdrafts	59%	79%	76%	84%
Investments	49%	70%	75%	85%
Loans	52%	65%	64%	83%
Buy now pay later	55%	74%	83%	90%

Source: Censuswide polling for WPI Economics / Virgin Money.

Our survey found that people who experience digital or financial exclusion are also much less likely to be confident managing their finances online and they may be deciding *not* to access financial products and services online as a result. This leads to a disparity in online access:

- No exclusion: 78% are confident in managing finances online.
- Digital exclusion only: 63% are confident in managing finances online.
- Financial exclusion only: 37% are confident in managing finances online.
- Both digital and financial exclusion: 30% are confident in managing finances online.

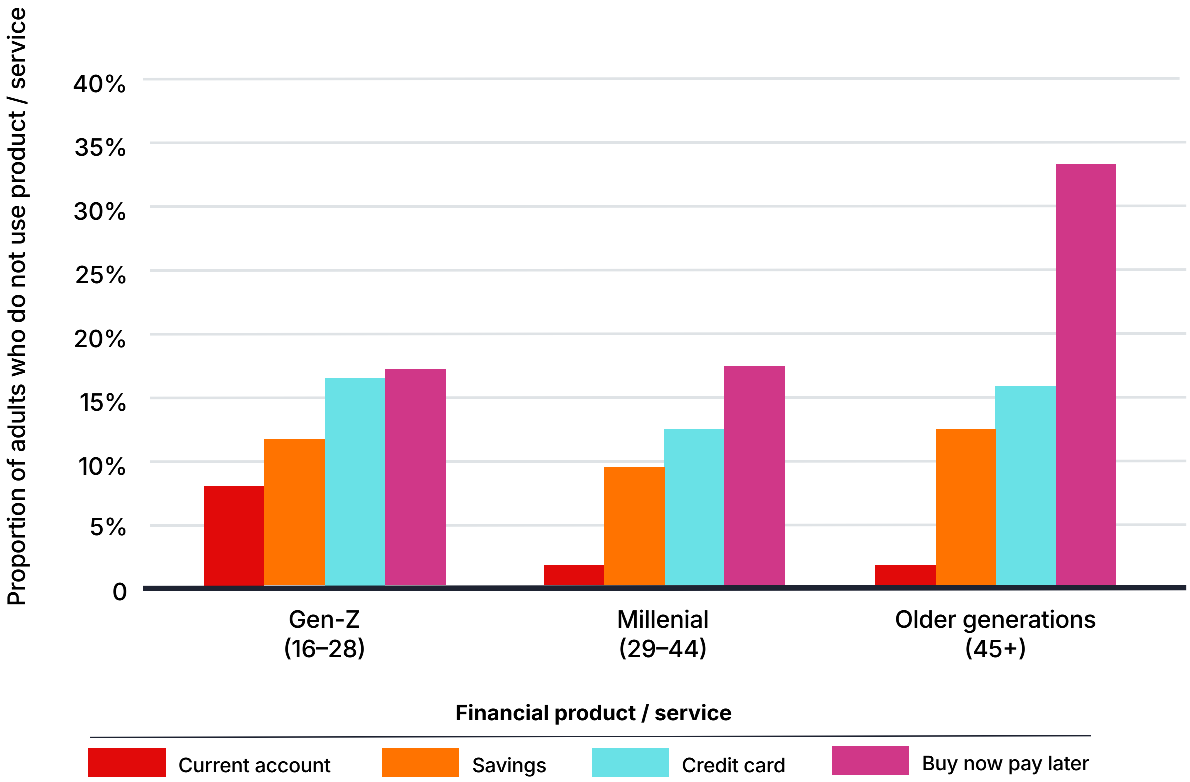
While people who are financially excluded are still able to access financial products and services online in high numbers (see Table 1), only 37% of those who are financially excluded are confident managing their finances online. This presents a potential risk around those people being able to safely manage their financial lives online, which again underlines the importance of tackling financial and digital exclusion in tandem. Bolstering the skills needed to interact online improves access to products and services. It remains important to ensure safeguards are in place for those who cannot get online access so they do not overpay for the services they need.

Looking at financial product and service usage across different generations, the survey pointed to different patterns of usage across basic financial products and services:

- Gen-Z is twice as likely to not have access to a current account (8%) compared to Millennials (4%) and older generations (4%).

- Millennials are the most likely to have access to savings-related products: 81% compared to 77% of Gen-Z and 74% of older generations.
- Millennials are also most likely to use credit-related facilities: credit cards (74%), mortgages (58%) and loans (48%).
- Older generations are almost twice as likely to not use buy now pay later services (68%) compared to Millennials (36%) and Gen-Z (35%).

Figure 2: Non-usage of basic financial products / services by generation



Source Censuswide polling for WPI Economics / Virgin Money

Looking at means of access, Gen-Z repondents were less likely than older generations to access these financial products and services online. This could reflect the fact that Gen-Z adults are also the least likely to be confident using the internet to manage their finances: 68% compared to 74% of Millennials and 77% of the older generations. When Gen-Z adults do use these products and services online, they are more likely to use a phone or tablet (96% of users) than a computer (87%).

Difficulty in using financial products online

Our survey found that, across the board, fewer than one in 10 people report that they have difficulty using basic financial products online – current accounts (5% have difficulty), savings (8%) and credit cards (7%). A little more than one in 10 struggle to use more advanced products – overdrafts (13%), investments (14%) and loans (17%). After further probing on why they find they found the more basic 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.
- 35% of people who have difficulty using savings online.
- 37% 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 2 shows that, across all products covered, Gen-Z is much more likely than both Millennials and older generations to have difficulty in using financial products online.

Table 2: 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	10%	7%	2%
Savings	17%	11%	4%
Credit card	15%	9%	4%
Overdrafts	22%	11%	7%
Investments	22%	12%	11%
Loans	25%	16%	10%
Buy now pay later	14%	9%	7%

Source: Censuswide polling for WPI Economics / Virgin Money.

Experiencing digital or financial exclusion also plays a role in whether someone finds using financial products online difficult:

- Current accounts: 23% of people who are both digitally and financially excluded have difficulty in using current accounts online, compared to 4% of people who experience no exclusion.
- Savings: 44% of people who experience both exclusions have difficulty in accessing savings online, compared to 7% of people who are not excluded.
- Credit cards: 23% of people who experience both digital and financial exclusion have difficulty in using credit cards online, compared to 6% of those not excluded.

From focus group discussions, 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. Other reasons included an inability to find someone to talk to – especially in the case of online-only banks – and a lack of reliable information. Across the different age groups, great value was placed on being able to speak with people over the phone or in-person when discussing financial matters – both for themselves personally but also to support others more widely. Participants reported feeling overwhelmed by the plethora of banking products which, coupled with a lack of financial knowledge and unreliable information sources, makes decision-making daunting.

Financial awareness and knowledge

During focus groups, Gen-Z and Millennial groups discussed problems around awareness of various financial products, how to effectively manage them, and how to design a tailored financial management plan for individual needs and goals. Older generations also raised concerns regarding their children's knowledge and awareness. Most participants felt financial education should be more consistently delivered as part of the school curriculum. Areas where an enhanced curriculum was seen as helpful included taxation, pensions, building credit scores, implications of taking out student loans and compound interest. A small number talked about the support and training that was offered via their workplaces to support financial education, planning and wellbeing – but this support was often light-touch or not sufficiently engaging.

When it came to digital skills and knowledge, focus group respondents indicated that while they can search for and access products and information, they find it challenging to identify trustworthy sources. There was uncertainty expressed about their own decision-making abilities, particularly among Gen-Z, who also mentioned having multiple accounts with various banks but being unsure about how to best use them. Additionally, respondents from all age groups expressed some level of distrust towards information provided by financial institutions, questioning the motives behind recommending specific products.

Digital skills and knowledge

We also explored people's confidence in their own digital skills. Overall, a majority (61%) of adults surveyed think their own digital skills are strong, but there are generational differences within this headline picture, with Millennials (70%) and Gen-Z (68%) more likely to say they are confident in their digital skills than older generations (54%). Household income also impacts how confident people are in their digital skills: 73% of people in households with incomes over £55,000 think that their digital skills are strong, compared to 63% in households on incomes between £25,000 and £55,000, and just 50% in households with incomes below £25,000.

Digital and financial exclusion also impacts how confident people are in their digital skills: 64% of people that experience no exclusion think their digital skills are strong, but this drops to 40% for people experiencing financial exclusion, 31% for people experiencing digital exclusion, and 27% for people experiencing both digital and financial exclusion.

Financial skills and knowledge

Just over one in six (18%) adults surveyed stated that their knowledge of financial matters was very low and over a quarter (29%) stated that they had very low confidence in managing their money or using financial products and services. Gen-Z is the most likely to say that they have very low knowledge of financial matters (28% of those surveyed) and almost half (47%) stated that they have very low confidence in money management or using financial products. This compared to respective figures for older generations of just 12% and 17%.

Household income also impacts people's self-evaluation of their financial knowledge and skills:

- In households with incomes below £25,000, 22% of people state they have very low financial knowledge and 32% have very low confidence in their financial skills.
- By comparison, people in households with incomes above £55,000 were less likely to say they had very low levels of financial knowledge (15% of people) or very low levels of confidence in financial matters (25%).

There is also differentiation in financial knowledge and confidence according to whether someone is experiencing digital or financial exclusion. Across the board, it is clear that any form of exclusion impacts confidence in financial matters. However, those who fall into the 'no exclusion' category here – according to the financial and digital tasks they were able to complete – may still say they have very low financial knowledge and/or confidence in financial matters as this question asked about how they feel rather than directly what they could do. What this suggests is that it is important to ensure that there is widely-accessible support to build up financial knowledge and confidence.

Table 3: Proportion of people who have very low levels of financial knowledge and confidence, by experience of digital and financial exclusion

Very low...	Both digital and financial exclusion	Financial exclusion only	Digital exclusion only	No exclusion
... Financial knowledge	37%	30%	21%	17%
... Confidence in financial matters	56%	46%	34%	27%

Source: Censuswide polling for WPI Economics / Virgin Money.

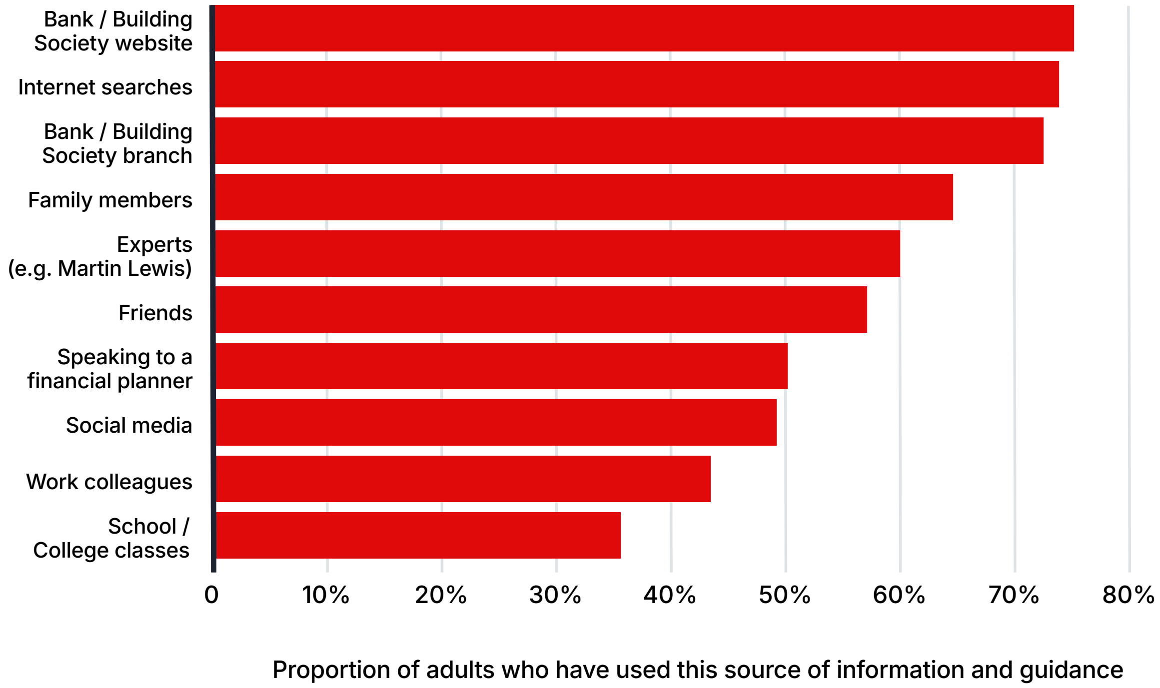
Sources of information

Having access to information on – and support with – managing finances and making financial decisions is important for building financial confidence. Around two-thirds (64%) of 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 74% of adults who feel that they have the information, guidance and support needed to manage their finances, a large majority (81%) feel confident in their financial planning choices.
- But among adults who do not feel they have the necessary information and support, less than one fifth (18%) feel confident in those same choices.

A vast majority (89%) of people have at some point received information and guidance on financial planning and services from more expert sources – banks, building societies, financial planners and experts – and 85% 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 (75%), internet searches (74%) and bank or building society branches (73%), while 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.

Figure 3: Sources of information and guidance on financial planning and services



Source Censuswide polling for WPI Economics / Virgin Money

There are also generational differences in the types of sources people use to find information and guidance. Millennials and Gen-Z said they are more likely to use informal sources (such as family members, friends, and social media) than older generations. However, the proportion using banks as a source of information is consistent across all generations. From focus group discussions, it was found that Gen-Z and Millennials in England and Wales and all generations living in Scotland were especially keen for schools to pay closer attention to financial education, and for the Government to act as a trusted source to provide information on financial matters relevant to different stages of life.

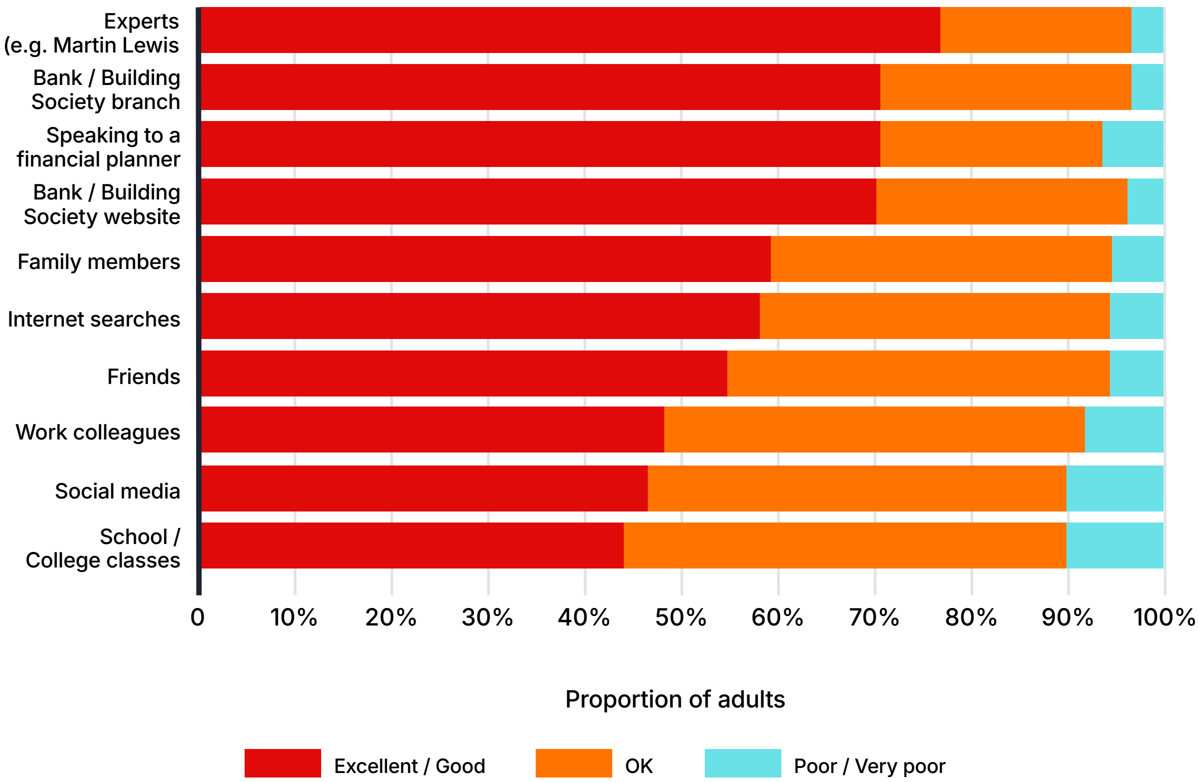
Table 4: Proportion of people using select sources of information and guidance on financial planning and services by generation

Source of information	Gen-Z (16–28)	Millennial (29–44)	Older generations (45+)
Family members	82%	77%	53%
Friends	77%	73%	42%
Internet searches	81%	81%	68%
Social media	79%	68%	30%
Work colleagues	62%	62%	28%
Bank / building society branch	75%	76%	70%
Bank / building society website	78%	79%	73%

Source: Censuswide polling for WPI Economics / Virgin Money.

Reassuringly, formal (more expert) sources of information and guidance are more likely to be highly rated by users than informal sources, with more than 70% of people rating them as 'Good' or 'Excellent'. That said, some informal sources still had up to 60% of people giving 'Good' or 'Excellent' ratings.

Figure 4: User ratings of each source of information and guidance on financial planning and services



Source Censuswide polling for WPI Economics / Virgin Money

Just over two-thirds (70%) of the adults surveyed would like more help and support to make financial decisions. The most common support desired was for understanding which products and services might benefit them (36% of those surveyed), followed by help choosing the specific product that benefits them the most (32%). A quarter (25%) 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 building societies were the most popular choice (71%) followed by the Government and other public bodies (68%). Around two-thirds (68%) of adults also believe that banks and building societies should be doing more to help their customers make the right financial choices, and a similar proportion (66%) think that the Government should be doing more to help people access information, guidance and support on these issues. On the logistics of how this support should be delivered, twice as many adults would like online delivery by banks and building societies (48%) than in-person delivery (24%), which is similar for delivery by the Government – 46% online delivery versus

20% in-person. This shows that there is scope for a more comprehensive strategy to ensure that action by the Government and providers is joined up, so that consumers can receive the support they need from a source – and via a channel – that they are comfortable with.

Just over six in ten (62%) respondents wished that they had had more information and support with managing finances and making financial decisions when they were at school, a phenomenon that is still present among current teenagers. In our survey of 12–15-year-olds, around half (48%) stated that they received money-related education in school, but just 41% think that the school is doing enough to teach them about money and around two-thirds (64%) said that they wanted to learn more from school. Young people aged 12–15 are also receiving financial education from their parents, with 68% of parents surveyed stating that they teach their children about finances and financial planning.

When further probed on what they want to learn about in school, 58% of 12–15-year-olds said they would like to receive information about managing money and how to save; 47% wanted to learn about different types of financial products; and 43% wanted to learn about essential and non-essential spending. Around half (47%) of respondents also stated that they wanted to learn more about the digital skills needed to access financial products online or via apps.

Recognising financial scams

Just over half (54%) of adults surveyed are worried about being the target of an online financial scam or fraud, with little difference found between generations, levels of household income or degrees of digital and financial exclusion. Instead, 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: 11% of people who have not been – or do not know – a victim of an online financial scam are worried about being targeted by scammers, but this rises to 68% among people who have been or know a previous victim of online financial scams. Focus group discussions revealed that older generations in England and Wales and all generations in Scotland were more fearful about the risk of being scammed, as most had known someone who had been scammed.

Fear of being targeted in scams is also one of the reasons that people say they do not use financial products and services online. Around a quarter of people who do not use current accounts (24%) and savings (25%) stated that it was due to 'worry about being a victim of fraud or a scam'. Just over a quarter (28%) of adults surveyed had been the victim of a financial scam, with 19% being victims of online financial scams. However, the proportion who have been victim of a scam is much higher among those who experience digital or financial exclusion:

- Among people who experience no exclusion (according to the answers provided to the task-based screening questions), 27% have been victims of a financial scam and 19% have been victims of an online financial scam.
- Among people who experience both digital and financial exclusion, 44% have been victims of a financial scam. However, just 18% have been victims of an online financial scam – possibly reflecting their exclusion from online financial spaces.

Even though similar proportions (around 70%) of each generation said they are confident that they can recognise and avoid scams, Gen-Z is noticeably more likely to have been a victim of an online financial scam (29%) than Millennials (24%) and older generations (13%). It is possible that this is because they are the least likely generation to undertake safe online behaviours, such as avoiding clicking on suspicious links, not sharing personal information online with strangers, and enabling two-factor authentication to access online accounts.

Interestingly, the Gen-Z and Millennial focus groups found that they seemed fairly confident in being able to identify scams, especially phone scams, and they discussed this as an issue that mostly affected older people, showing concern for older relatives but not for themselves.

Gen-Z is also least likely to have done any reading about what to look out for in order to avoid a financial scam – 61%, compared to 72% of Millennials and 75% of older generations. This is likely to be a contributing factor to Gen-Z being the least likely to know what to do if they think they have been the victim of a financial scam – 65% compared to 70% of Millennials and 69% of older generations. When it comes to help and support in recognising scams, about a third (34%) of people report having received advice on how to avoid scams from their bank or building society, but there is a clear desire for more action – with two-thirds (67%) agreeing that financial service providers need to do more to help their customers in recognising and avoiding scams. A similar proportion also thought that the Government (68%) and technology and social media companies (70%) should be doing more to help people avoid scams.

3. The costs of the problem of digital and financial exclusion

The personal costs of digital and financial exclusion

Digital and financial exclusion have 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.[36] Additionally, the connection between over-indebtedness and mental health issues can negatively affect productivity at work or lead to an inability to work.[37] Our survey 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 1.1 million households that do not have access to a bank account.[38] 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,[39] which means that unbanked households face an **additional £645 million per year in household bill costs**.

Lost value of lower wellbeing among the digitally excluded

There are an estimated 4.3 million adults in the UK 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. Translated into financial terms, this loss of wellbeing has an **estimated value of £16.9 billion per year**.[40]

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 is associated with an additional 633,000 scam victims each year. Based on an estimated average amount stolen per fraud case of £897,[41] digital and financial exclusion results in an **additional £568 million stolen from consumers through scams every year**.

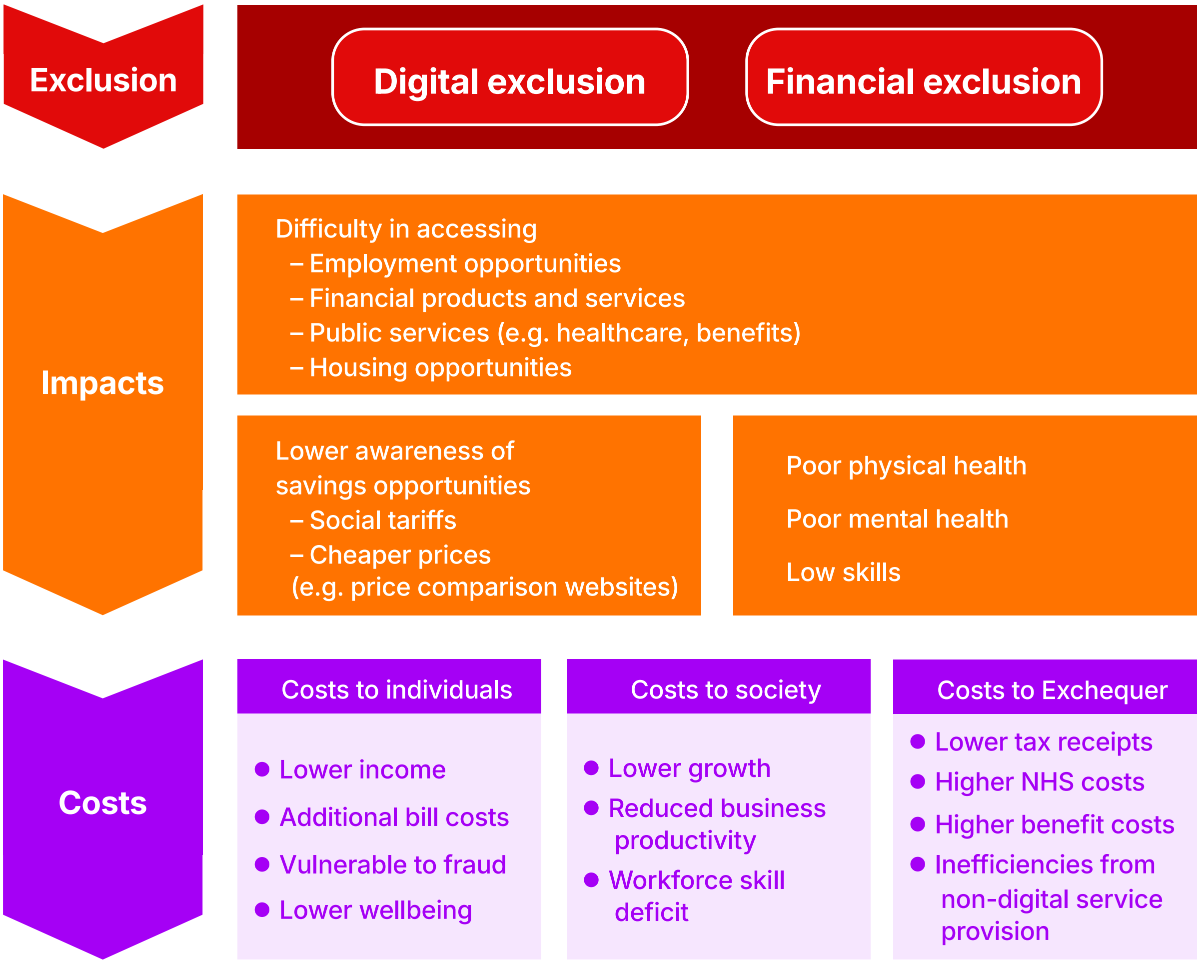
The societal and economic costs of digital and financial exclusion

The costs of digital and financial exclusion are not just felt by those impacted directly. There are also wider costs for society, the economy and the Exchequer. For example, existing research demonstrates a link between increasing financial inclusion and economic growth, meaning that improving financial inclusion and capability can help reduce barriers to growth and potentially stimulate it further.[42]

More broadly, a range of research demonstrates the potential knock-on costs of financial and digital exclusion. For example, poor mental health caused by financial worries can lead to people leaving the labour market. In turn, this reduces income and leads to further deterioration in mental health. As well as the impacts on the individual and their family, absence from the labour market reduces economic output and tax receipts and it increases social security payments.

The figure below provides a high-level outline of some of the potential routes through which digital and financial exclusion could impact on society and the economy, as well as those directly affected.

Figure 5: High-level logic model of the impacts and costs of digital and financial exclusion



4. What can be done: tackling the problem and realising the benefits

The previous sections have highlighted the scale and nature of digital and financial exclusion in the UK and some of its potential costs to individuals and to the economy. Tackling these systematically is critical both because of the impact this has on individuals across society and because digital and financial exclusion act as a constraint on growth.

Our work also echoes findings from others that digital inclusion is a prerequisite for, and key enabler of, financial inclusion. As such, boosting financial inclusion – and especially financial inclusion online – requires an extension of affordable broadband and mobile devices and services to those who need them. 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, and ensure they can engage online safely. Alongside this, continuing to tackle the problems older generations face remains an important part of broadening financial and digital inclusion.

However, driving significant improvement will only be possible if the Government sets bolder targets and brings its separate strands of thinking on digital inclusion and financial inclusion together. Our recommendations put forward a way of achieving this that draws on the good work already underway, but takes it further in connecting the vision for digital and financial inclusivity to growth more explicitly.

Recommendation one: **The Government should create a specific joint Financial and Digital Inclusion Taskforce made up of policy makers, industry and the third sector.** This body should be charged with overseeing the seamless delivery of the shared areas of focus for the new Financial Inclusion Strategy and Digital Inclusion Action Plan in support of the Government's growth mission. It would share best practice between organisations, and address areas of overlap, conflict and/or gaps between different programmes or responses, to ensure a fully joined-up, strategic approach is taken to solving the interwoven problems of financial exclusion and digital exclusion. To support this, the Government should commit funding to capture the full landscape of existing support provided through local and regional government, industry and the third sector – including funders and grant makers - with a commitment to evaluating impacts where that has not already been done. This should include looking at how existing programmes and funding could be built on and enhanced, particularly to encourage co-funding opportunities with social investors and industry. The recommendations from this Taskforce should be considered ahead of major Government fiscal announcements as a means of helping the UK to bolster inclusivity while driving forward growth.

Recommendation two: **The Financial Inclusion Strategy and Digital Inclusion Action Plan must be genuinely inclusive for all ages and take a life-long approach.** The evidence shows that generations face very different challenges around financial and digital inclusion. Creating a lifelong approach will require action that begins in school and runs through to older age. For younger generations immediate action is needed to give them the skills to make the (future) financial choices that are right for them and in learning to avoid scams. For older people, action must be taken to increase confidence online so that they do not miss out on newer products and services. Without a multi-generational approach any other measures will have limited impact.

Recommendation three: The financial services industry should – under the guidance of the Financial and Digital Inclusion Taskforce – develop a new channel of choice charter. Many believe that the movement towards digital is convenient, necessary and inevitable. However, this research has shown that regardless of generation, there are situations where people want to speak to a human being to get the advice and support they need. It is therefore essential that consumers continue to have choice over how they access this. A charter creates an opportunity for industry to publicly commit to providing channel of choice for customers.

Recommendation four: The Government should set a target of becoming the highest ranking European country in the Global Financial Inclusion Index. This target should underpin the commitments above, with the Government aiming to move up the rankings by the end of this parliament to ensure momentum in delivering the Financial Inclusion Strategy and the efficacy of actions taken as a result. Singapore's current top ranking shows the benefits of considering financial inclusion and growth alongside each other – the UK should follow suit.

5. Conclusions and next steps

Tackling financial and digital exclusion remains critical for the UK, particularly as this research is clear in the finding that so-called 'digital natives' are no more protected from the impacts of financial and digital exclusion than older generations.

This need for widespread action is underlined by the commonalities highlighted across the population. Just under 5% of adults surveyed do not have access to a current account, almost a quarter (24%) do not have access to savings and almost a third (31%) do not have access to a credit card. Just over two-thirds (70%) of the adults surveyed would like more help and support to make financial decisions. A quarter (25%) also wanted help in boosting their digital skills so they can be more confident in managing their finances online.

Supporting people to gain the skills, access, products and services they need would lead to significant benefits. From our estimates, the annual cost due to higher bill payments means that unbanked households face an **additional £645 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 **£16.9 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 is associated with an additional 633,000 scam victims each year: this results in an **extra £568 million** stolen from consumers 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. That is why we have set out a series of recommendations on how financial and digital inclusion could be extended across all generations. This centres on bringing together initiatives to tackle financial and digital inclusion in pursuit of bold new targets. We argue that the Government should deliver this hand-in-hand with industry, local government and the third sector to ensure that the best existing initiatives can be scaled to improve outcomes across the UK. It is vital that, together, the Government, industry and advice sector are able to provide everyone across the UK with the support, information and initiatives they need to boost their financial (and digital) awareness and understanding. This is key to improving people's lives across all generations and supporting economic growth.

Annex 1: Overview of research methods

We ran four focus groups centred on understanding experiences of Gen-Z, Millennials and older generations, and a fourth centred on the experiences of those in Scotland. This allowed us to deepen our understanding of the barriers that different generations face, and to compare and contrast the similarities and variations identified. In each of these sessions, we explored:

- Degree of financial and digital confidence, experience and usage – and the relationship between the two.
- Difficulty in accessing financial products and services, and the reasons for this.
- Concerns and worries around financial planning and decision making.
- Experience of barriers to inclusion, especially around digital capability and skills.
- Experience of existing sources of information, guidance and support.
- Views over additional support and guidance that would be helpful at different life stages.
- Views on what can be done to support people to develop the skills and knowledge they need, and who should be responsible for this.

Our focus group sessions shaped the development of primary quantitative research. We ran two 20-question surveys with our polling partner Censuswide. The sample for the surveys covered: 1,000 16+ Gen-Z, 1,000 Millennials, 1,000 “older” generations and a boost of 500 Scottish respondents, with a second survey centred on the experiences of 250 12–15-year-olds.

Our adults survey covered six sections for all respondents: digital capabilities, experience of financial products, financial awareness and knowledge, recognising financial scams, getting support, financial insecurity, and wellbeing. An optional section for parents focused on assessing their children’s level of financial education at school and at home. Our teenager survey covered five sections: being online, understanding of money, financial products used, staying financially safe online, and school.

Annex 2: Defining financial and digital exclusion

As part of the survey, respondents were asked about their ability to perform 11 digital tasks and six financial tasks. These are an adapted subset of the tasks asked by Ipsos UK as part of Lloyds' Essential Digital Skills for Life.[43]

The 11 digital tasks we asked were:

- You can communicate with others digitally using email, messaging applications (such as WhatsApp or Messenger).
- You can post messages, photographs, videos or blogs on social media platforms (for example Facebook, Instagram, TikTok, Twitter / X or Snapchat).
- You can use software to create, write or edit documents (such as Microsoft Word, Google docs, Pages for a CV / letter).
- You can recognise what information or content online may, or may not, be trustworthy (such as fact-checked information, "fake news" or assess the trustworthiness of a company based on customer reviews).
- You can use search engines to find information are looking for (such as search for news, the weather, train times) or help you solve problems.
- You can store and back up photos, messages, documents or other information (for example iCloud, Google Drive, Dropbox, OneDrive, desktop or storage drive).
- You can use the cloud to access content from different devices (such as smartphone, tablet, laptop and desktop).
- You can set privacy and marketing settings for websites and your accounts (for example managing social media privacy settings, managing cookie settings, updating contact preferences).
- You can follow data protection guidelines online (such as following data storage and retention guidelines, not sharing or using other people's data or media such as movies or music without their consent).
- You can respond to requests for authentication for online accounts (for example resetting your password when you have forgotten it, two-factor authentication, using a remote access key or an authenticator app).
- You can update your device software / operating systems when necessary to prevent viruses and other risks (such as enabling automatic updates or installing when prompted to do so).

The six financial tasks we asked were:

- You can set up an account online to access financial services and products.
- You can access and manage your finances online, such as through a mobile banking app.
- You can manage spending through online payment providers, such as through a PayPal account.
- You can complete online applications and forms to access the financial services and products you need.

- You can buy goods/services online using online payments (for example debit / credit card, PayPal, Apple Pay, Google Pay, Worldpay).
- You can access online support for financial products and services you use.

Respondents were asked the extent to which they agreed or disagreed they could complete the following statements on a five-point Likert scale (Strongly agree, Somewhat agree, Neither agree nor disagree, Somewhat disagree, Strongly disagree).

Respondents who selected 'Strongly agree' or 'Somewhat agree' are deemed able to perform the task, and those who select 'Somewhat disagree' or 'Strongly disagree' are deemed unable to perform the task.

Respondents who were **unable to perform three out of 11 digital tasks** and **unable to perform two out of six financial tasks** are considered to experience digital exclusion and financial exclusion respectively. By extension, those who are both digitally and financially excluded meet both of the above thresholds.

Annex 3: Calculating the costs of digital and financial exclusion

To assign a monetary value to wellbeing, the Treasury's Green Book provides a value of for a 1-point difference in life satisfaction (on a scale of 0 to 10), which is known as a WELLBY. Uprated to FYE2024 prices, the value of a WELLBY is £15,504 per year.

In order to estimate the difference in life satisfaction between people who are digitally excluded and people who are not digitally excluded, a survey-weighted generalised linear model (GLM) was estimated. The model took the self-rated life satisfaction scores of survey respondents as the dependent variable and their digital and financial exclusion status as the independent variable, while also controlling for age, gender and household income.

Calculation of the gross annual lost value from lower wellbeing for digitally excluded people was undertaken by taking the estimate for the average difference in life satisfaction between digitally excluded people and non-digitally excluded people from the GLM, multiplying it by the estimated number of digitally excluded adults in the UK (based on the survey results) and then multiplying that by the value of a WELLBY. In order to ensure that there is no overestimation of this value, the lower bound of the GLM's estimate for average difference in life satisfaction was used.

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2 For example, see: Good Things Foundation (2024) Digital inclusion: What the main UK datasets tell us, and Financial Conduct Authority (2024) Exploring financial inclusion.

3 More detail on these questions and our definition of financial and digital exclusion are set out in Annex 2.

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5 Assumptions and calculations behind these costs are explained in section three.

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34 Detail of the scope across four focus groups and two surveys can be found at Annex 1.

35 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.

36 Money and Mental Health Policy Institute (2024) Boosting financial inclusion, protecting mental health: Five steps for the next Government.

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