Millennials and money

Banking in the age of fake news

About

- The Millennials and Money project seeks to understand millennial money habits, behaviours and what younger generations need to become more financially resilient. Through extensive literature reviews, polling of 2000 adults, online focus groups and qualitative interviews, Common Vision (CoVi) has been examining what millennials want and need from personal banking products, financial providers, and the wider market in order to manage their money and make informed financial decisions, and how these attitudes differ from other generations.

- This project is supported by the Current Account Switch Service (CASS), the UK's sole designated current account switch service. CASS is working with Common Vision to seek to understand how younger people navigate an increasingly complex market and what they identify as the key components of a convenient, useful and reliable banking product. This research will help CASS to ensure it continues to deliver successfully in the future.

- Banking in the age of fake news is the third in a series of trends papers which investigate social and economic contextual factors that are influencing millennials' engagement with the financial system. It looks at how the 'information crisis', seen through the rise of fake news, misinformation and information overload, has affected the ways in which millennials consider financial information and act on these considerations. We explore how younger consumers perceive marketing communications and advertising from financial services, how they seek formal or informal product advice, and how financial providers and professionals can help improve lifelong financial literacy for millennials by responding to the ways they identify, access and receive trusted information.

- In response to this paper we invite policymakers and sector leaders to join the conversation around the views, needs and preferences of younger customers and citizens. Contact details for CASS and Common Vision are provided at the end of the paper.

covi
[`com-mon vis`ion]

CURRENT ACCOUNT SWITCH GUARANTEE

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Banking in the age of fake news

Summary of key points

- For many of the young adults who we consulted through our research, there are a number of real or perceived barriers in finding and using credible and relevant financial information to inform their financial choices. Even the young adults we interviewed who are most active in tracking and managing their finances mentioned a lack of impartial sources that suits their financial and lifestyle goals. This impedes their financial confidence and decision-making abilities at an important time in the transition to financial independence.

- The main financial priorities cited by our research participants were budgeting for day-to-day costs and tracking spending, avoiding debt, putting aside money for a contingency fund, building short-term savings for lifestyle expenses or a more comfortable living situation, and for some participants, saving for first-time home ownership. However our participants reported a provision gap in information sources which relate to these specific concerns and life transitions.

- Our research found a high appetite from millennials to conduct their own research and source information which is relevant to their needs, especially when they are looking to choose or switch a specific financial products. However in the context of an abundance of online information, the challenge is to find guidance that is impartial and independent from specific providers, relevant to millennial life stages and financial goals, and consistent across different sources.

- Direct information from financial providers is not generally held in high regard by this age group, partly because trust in financial institutions is low and this information is not seen as impartial. Where our research participants mentioned positive experiences of information from financial providers, they noted an accessible communication tone and style. This was more frequently mentioned in relation to new digital banking entrants. Information from financial providers is also valued when presented in the form of personalised insights which enable the customer to make product comparisons and choices based on their financial data.

- On the whole, millennials still turn to their parents for financial advice, more than any other source, and also rely more on peer recommendations than older groups. That said, seeking and acting on advice from family and friends depends on the financial product in question and its complexity.

- Different sources of financial information and advice do not work in isolation, and information is more likely to be converted into decisions and actions when it is consistent and supported by a range of different sources, channels and 'layers' of knowledge. This has implications for how providers could seek to signpost independent third parties and encourage verification from personal sources.

- Responding to the 'information crisis' requires a deeper approach than the regulation of financial communications or the use of different marketing channels to retain or attract young customers. It means framing financial information in a personalised and practical way in order to build the financial confidence of young adults, beyond promoting specific products and services, so that they have the foundations for strong financial decisions in the future.

1. Introduction

Millennials are characterised as much by the technological trends that have shaped their lives, as by other social and economic factors which characterise the shared experiences of a generation. A generation for whom widespread use of the internet has been present in their entire adult lives, millennials have experienced the positives of increased connectivity from an early age, from instantaneous access to knowledge platforms like Wikipedia to online services changing the ways we make purchasing decisions

> " I find it hard to trust online information about financial products and services… even if the website is fairly well-known I don't know whether the information is up to date. Comparison sites don't always tell me what I want to know."
> - Maddi, 23

The social and economic benefits arising from increased speed and access to knowledge and information cannot be underestimated. However, this abundance of information has at the same time resulted in widespread uncertainty about the credibility and trustworthiness of online information. The phenomenon of "fake news", a term which has become synonymous with the increasing prevalence of misinformation and fraudulent journalism, also extends to the ways we view all providers and distributors of facts, figures and commentary: from scientific and medical research, to government and corporate communications. When it comes to consumer trends and financial decision-making, this means that different messages and marketing techniques are evolving to respond to changing expectations of what credible information looks like, and how it is communicated.

As a definition, the term "fake news" has been described as "woefully inadequate"[1] to account for the phenomenon that describes a spectrum of information and misinformation, from that which is deliberately misleading, to inaccurate information without harmful intent, to sources intending satire or parody which is mistakenly received as fact by the reader. The UK Government now uses the term "disinformation", rather than "fake news" to describe *"the deliberate creation and sharing of false and/or manipulated information that is intended to deceive and mislead audiences, either for the purposes of causing harm, or for political, personal or financial gain".*[2]

This definition of disinformation is evident in cases of financial fraud, such as scams where an individual is misled into transferring money from their bank account to one belonging to a scammer, or where a consumer pays in advance for goods or services that are never received, usually through an online platform.[3] Research has suggested that 18-34s are as likely to fall subject to online impersonation financial scams (whereby the scammer impersonates a personal contact or a trusted organisation) as the over-55s, although they lose lower sums of money.[4] The financial sector has started to respond through the development of an industry code that includes increased consumer protections and a reimbursement from payment service providers to some victims under certain circumstances (a contingent reimbursement model).

However, financial fraud and overtly harmful information is only the extreme tip of the iceberg. This paper explores how the 'information crisis'[5] more broadly has affected the ways in which millennials consider financial information and who they trust as reliable and credible sources of advice and guidance on money matters. Millennials - who we define as approximately aged 20 to 37 - are not one homogenous group and there are many differences within this age cohort. But as a generation, studies have found trends in how millennials receive and perceive information– for example millennials are less trusting of conventional news outlets[6], preferring to receive news from peers. They are more likely to rely on "user generated content" when making consumer purchases such as goods or holidays[7], and have been found to strongly distrust traditional advertising, more so than older groups.[8]

Only 37% of 18-24s say they are 'knowledgeable' or 'highly knowledgeable' about financial matters.

– FCA Financial Lives Study[10]

For many of the young adults who we consulted through our research, there are a number of barriers in finding and using credible, useful and relevant financial information and guidance to inform their decisions and choices. These barriers relate to the credibility and consistency of information that is relevant to their financial and lifestyle goals. This is exacerbated by their relative inexperience with financial matters - millennials report the lowest levels of financial knowledge and confidence compared to older groups[9] and many will be making independent choices on financial products and providers for the first time. But this does not mean that there is not clear demand for independent, accessible and trustworthy information, something which many of our focus group participants cited as crucial to being financially resilient and confident in the future.

The increase in demand for provenance, accuracy and consistency of information presents important challenges for financial providers, their regulators and those with a role to play in improving financial literacy and understanding amongst an important and developing consumer group. The information crisis applies much more widely than how we obtain news and understand current affairs; the prevalence of inaccurate and contradictory information has led to increased scepticism even in organisations and institutions which were previously viewed as trusted brands and authoritative factual sources. It extends to how younger consumers perceive marketing communications and advertising from financial services, how they seek formal or informal product advice, and which digital channels they trust to make and process payments and purchases. This is an important issue for organisations with interests in improving financial literacy and capacity, and those who create services that help people to switch between services, whether these be financial, utilities or others.

2. Barriers to financial literacy, capability and confidence in an age of information uncertainty

For the millennials who participated in our focus groups and interviews, we found a number of recurring sentiments in relation to sources of legitimate information, such as guidance provided from banks, financial advice websites and comparison sites.

Credibility and consistency

Our qualitative research found that even the young adults who are most active in tracking and managing their finances did not feel they had enough access to impartial information from credible and independent sources.

This may seem surprising, in an age when information is ever-more available and instantaneous online. But in a context where the independence and reliability of news and information sources are regularly contested, many of our research participants noted that even seemingly legitimate sources contradict each other, therefore rendering them untrustworthy. Indeed, 80% of people (of all ages) across the world believe that there is so much contradictory information it's hard to know who to trust in general.[11]

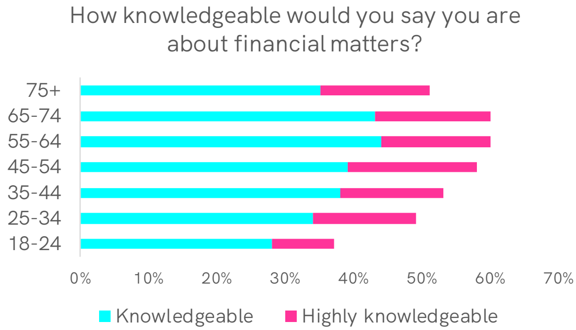
> “ It is not always clear where you can get good advice from. Banks seem like they have a vested interest.
>
> - Olly, 35

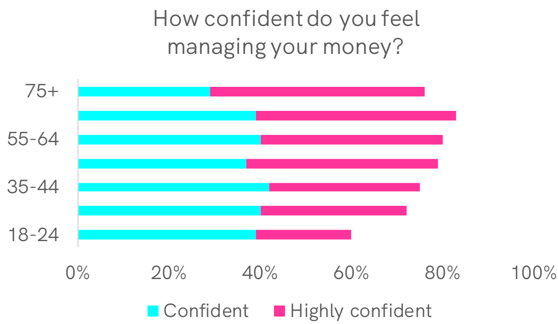
Millennials are less likely than older generations to trust traditional financial institutions and the financial industry as a whole, and direct information from financial providers is not held in high regard by this age group.

The uncertainty of knowing where to access independent, credible and reliable financial information is a notable impediment to the millennial experience of choosing and switching financial products and services at an important time in their transition to financial independence.

Experience and confidence

Many of our research participants noted that even though trustworthy sources of financial information and education do exist, they are not sure where to find them. The problem here is not around recognising overtly false or misleading information, which was not a key concern for most of our participants, but in being able to compare and critically determine the usefulness of legitimate sources of guidance on financial products and choices.





– FCA Financial Lives study[14]

This is partly due to the inexperience of an age group relatively new to financial independence. Self-stated knowledge is lowest amongst the youngest age groups: 18-24 year olds rate themselves as the least confident and knowledgeable of all UK adults about managing money and financial matters, while older millennials cite more confidence with financial products, but are still less confident than older age groups.[12] Confidence does not correlate with levels of education - adults with degrees or postgraduate qualifications are just as likely to feel certain or uncertain about their abilities as those educated to GCSE level – although it does grow with experience and age.

These low levels of confidence directly relate to consumer choice and decision making. Most young people do not feel as confident as older adults in their ability to choose financial products. Just 19%, 21% and 18% of 18-24s are confident to choose pensions, investments or mortgages respectively by themselves.[15]

Relevance

As discussed in other publications from the Millennials and Money project,[16] collectively the millennial generation encompasses a wide cohort of young people, young and mature adults at different life stages and milestones, experiencing the transition from education to working life, from living within the family home to becoming financially independent and settling down, and taking on familial and more complex financial responsibilities.

The main financial priorities cited by our research participants were budgeting for day-to-day costs and tracking spending, avoiding debt, putting aside money for a contingency fund, building short-term savings for lifestyle expenses or a more comfortable living situation, and for some participants, saving for first-time home ownership.

Yet, a number of our research participants reported a gap in information sources which spoke to these specific concerns and life stages. Having a sound base of financial knowledge and access to useful information inevitably affects how the ability and confidence of young consumers to choose the financial products that are best suited for their needs. However, it seems like a real or perceived 'information gap' is hindering their confidence and practical ability to do so.

Together or separately, these factors present a barrier to millennial perceptions of their own financial literacy, and ultimately their financial capability and confidence. And yet we also found there is very clear demand from millennials to source information which is relevant to their needs, especially when they are looking to choose or switch a specific financial products.

Improving financial literacy for this cohort means communicating and signposting information that is relevant to individual life stages and personal goals, through impartial channels, with consistent messages which boost the confidence of young consumers to act on the knowledge they have gained.

3. Credibility in an age of overload

Improving financial knowledge and literacy in an age of uncertainty is clearly an issue which affects all age groups, and contributes to a healthy banking ecosystem and the financial wellbeing of the population as a whole. But different age groups access and perceive information sources in different ways.

In a digitalised economy it is no longer relevant or useful to distinguish between 'online' and 'offline' sources of information - traditionally bricks and mortar businesses trade online, and peer referrals often take place through social media as they do face-to-face. This is particularly true for millennials, even the oldest of whom will have been using the internet for accessing information and making purchases their entire adult lives.

Information from financial providers

As already noted, trust in financial providers is lower amongst younger generations than older people. Although a reasonably high proportion (58%) has a preference for sticking with a well-known banking providers, brand loyalty doesn't necessarily follow through to perceptions of information impartiality and credibility. Where our research participants mentioned positive experiences of information from financial providers, they noted an accessible communication tone and style. This was more frequently mentioned in relation to new digital banking entrants.

This other key area where information from financial providers remains highly valued is when personal banking data and insights are made readily accessible to the customer, enabling them to appraise their own financial behaviours and make product comparisons and choices based on this personal information. Again, this is reflected in the popularity of new market entrants and presents an opportunity for further open banking enabled tools to lead for greater personal confidence in decision-making.

> “ I feel like the [digital bank] interface is designed for my needs, not just in terms of the banking functionality but also because the information is clear, concise, jargon-free and easy to navigate
>
> - Caz, 30

Just 30% of 18-24s say they have confidence in the UK financial services industry.

Only 24% of 25-34s agree that most financial firms are honest and transparent in the way they treat consumers.

– FCA Financial Lives[17]

Information from financial advisors

Although many of our focus group participants stated a need for independent or personalised financial advice, professional financial advisors were not seen as appropriate or relevant for the majority. This demand gap reflects the limited financial assets of a generation who are still fairly early on in their careers and life stages, but we also found a widespread reticence to pay for advisory fees or even products which involved a charge or subscription fee.

6% of 18-34-year olds used an Independent Financial Adviser in 2017.

– Financial Conduct Authority[18]

Only 15% of adults of all ages regularly meet with a financial adviser even though 56% believe they would benefit from advice.

– Openwork[19]

Information from third-party websites and comparison sites

Although in general, young adults do rely on online sources of information (search engines, online reviews, expert bloggers and price comparison sites) to inform their wider consumer and purchasing decisions[20], this varies depending on the nature and value of the product or service. For some products, young consumers are more likely to use online tools and comparison sites: 78% of 25-34s say they arranged their motor insurance through a price comparison website, compared with 60% of the population as a whole.[21] But there is evidence to suggest that beyond these products, Price Comparison Websites are not as effective in informing other financial choices.

13% of 16-24s have used a comparison website to compare banking services in the last 12 months (31% have compared insurance services and 30% have compared travel services).

16% of 25-34s have used a comparison website to compare banking services in the last 12 months (56% have compared insurance services and 42% have compared travel services).

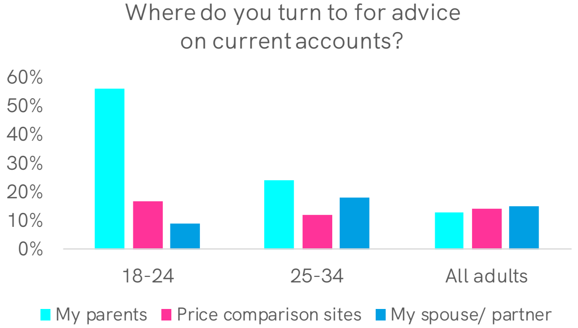
– Ofcom Media Use and Attitudes report 2019[22]

Ipsos MORI's Financial Research Survey and have found that although 48% of people (of all ages) say they are likely to *use* a comparison site in the future, just 38% say that they *trust* comparison sites.[23] One reason for this was voiced by some of the participants in our research, who noted suspicion around whether third party recommendations are impartial and independent.

Beyond the most well-known comparison sites however, we found little awareness of consumer or citizen advice platforms, information provided by debt or money advice charities, or personal finance blogs. As many of these sources are relevant to people with specific financial challenges or product needs, they do not always reflect the more general financial journeys in the transition to adulthood.

Information from parents, partners and peers

Millennials still turn to their parents for financial advice, more than any other source. Our polling found that UK adults on the whole most commonly turn to their spouse or partner for advice about choosing a current account, followed by price comparison sites. Millennials, by comparison, are much more likely to turn to their parents.



– Common Vision/ Opinium research[24]

> “ My biggest source of financial information is my family, my grandad has loads of knowledge and experience on financial issues. One of the main reasons I rely on my family is because they know what I am like and how I do things, so they give me personal money tips. However, on the big things, like the best mortgage, my mum won’t cut it, so I’d look elsewhere.
>
> - Bo, 24

> “ I ask my friends and colleagues what they do because they’re at a similar financial position and have gone through similar experiences. I think talking about money is becoming less of a taboo - but maybe that’s because I talk to people so they talk back!
>
> - Ingrid, 26

> “My friends were using [bank] and they all raved about it. My parents hadn’t heard of it though, so I did my own research to make sure the company was trustworthy. I found loads of good online reviews so I went for it, and haven’t looked back.
>
> - Callum, 27

That said, seeking, and acting on, advice from parents differs by financial product. Some of our focus and interview participants acknowledged that the economy has changed significantly since their older relatives had experienced the financial transitions or requirements that young adults encounter today.

In the same way, certain types of peer advice is valued above others. Peer recommendations for everyday products, current accounts and money management apps were more frequently cited than peer recommendations relating to more complex products. That said, a number of young professionals mentioned that they sought financial advice from friends and peers in the financial sector or associated industries, indicating that those in professional careers, and/or from more privileged social economic backgrounds, may benefit from having these networks of informal advice in place.

The trusted messengers of financial information, product recommendations and service endorsements inevitably affect the ways in which financial providers and financial education charities target impactful messages that speak to the concerns and needs of young customers. But each channel as described above does not work in isolation, information is converted into decisions and actions when it is consistent and mutually reinforcing.

Similarly, the ways in which millennials trust peer support and advice from family members is not necessarily in conflict with the communications and advice priorities from financial providers. Trust in family and friends extends to how information from formal sources is distributed, shared and signposted online. This has implications for the marketing messages and channels through which financial providers seek to retain existing young customers or attract new ones.

4. Responding to the information crisis

Banking in the age of "fake news" is not just about tackling or mitigating the harms of deliberately misleading or fraudulent financial information. It also goes beyond issues such as regulating online advice, formal financial education, and digital literacy.

An LSE report on the 'Five Giant Evils of the information crisis'[25] outlines five ways in which the prevalence of misleading and contradictory information affects wider citizen confidence in the media and government. Many of these aspects can also be seen to be true of information relating to personal, lifestyle and financial matters.

In our interviews and focus groups we found recurring themes of confusion and uncertainty about which sources of financial information were impartial and credible, as

The Five Giant Evils of the information crisis:

Citizens are unsure about which sources are true and who to believe given abundance of different sources and overt bias/ contradictions.

Citizens lose trust, even in trustworthy sources. The spread of false information may destabilise confidence in all information sources as a whole.

As a result of conflicting information sources, society is divided into 'truth publics' with parallel realities and narratives.

Many of the organisations who wield power in distributing information exist outside of clear lines of accountability and transparency, and lack a developed ethical code of responsibility.

Citizens disengage from society and begin to lose faith in democracy, alongside a decline in confidence that government or the technology companies will act in the public interest.

– LSE Commission on Truth, Trust and Technology[26] well as cynicism of the extent to which any form of financial information can be unbiased or personally relevant. In some cases this translated into apathy and disengagement from active money management. Improving the ability of consumers to make active and informed choices about their own financial wellbeing therefore has a wider impact on the market overall, as consumers who are lacking in confidence are less likely to consider switching financial products, thereby creating consumer apathy, market inertia and negatively affecting competition.

> " Until recently I didn't even know what an ISA was. But even after researching it quite a bit, I still don't know whether I need one or whether I should save or invest or whatever through another route… There are no websites or organisations I know of that would be able to tell me what the best thing is for me in my circumstances.
>
> - Kat, 23

And yet, there is high demand from millennials for financial information and guidance which is useful, relevant and personalised. This is as much an opportunity as a challenge for financial providers and professionals. It is not enough to call for increased financial education in schools as that won't help the current generation of young adults – government, employers and civil society groups can use life transitions as intervention points for lifelong financial information journeys.

Based on our qualitative insights from conversations with millennials at different life stages and from diverse backgrounds, financial information is most useful when it reflects the following characteristics:

Relevant

Information is most useful when it is tailored to life stages and personal goals. Here, the growing personalisation of digital marketing techniques may help raise awareness of products and services on the market, but this also presents a risk that riskier products, such as cryptocurrencies, may be presented in such a way that makes them seem personally beneficial.

Tangible

Information about clear practical actions with visible results is seen as helpful, such as the ways in which money management techniques like microsaving can achieve personal financial goals over a defined period of time. Financial communications which detail the tangible outcomes of investments have also been found to be more appealing to younger audiences.[29]

Relatable

The tone and style of product information, marketing communications and even formal notices like service terms and conditions all contribute to whether a provider is seen as relevant to personal needs and lifestyles. Jargon-free communications need to be balanced with the ambition to develop knowledge and resilience in longer term, as financial needs evolve and become more complex.

Personalised

Although millennials are less likely to rely on direct information and guidance from banks than older generations, financial providers have a continued role to play in ensuring that millennials are provided with the tools and resources that will enable them to appraise their own financial behaviours and make product comparisons and choices based on accurate and responsive personal information. New digital banking services have begun to adapt to this demand for real time money management information, as outlined in the first paper in the series *Banking in the Age of the Robot*[27]. There remain untapped opportunities for digital products to address the financial literacy gap which many millennials feel inhibit their money management, even if banking services are not held in high regard for other forms of financial guidance and advice.

Low cost

Although many young adults perceive independent financial advice as a service for the wealthy, the growth of digital financial advice (or 'robo-advice') brings the potential for low-cost tools to serve as an easy 'entry point' to financial advice from an early life stage. New technologies may also allow advice to become more tailored to specific life stages, transitions and population segments, including older people and those who are financially vulnerable as well as younger customers. These new developments would require careful regulatory oversight - tailored information currently falls within the scope of financial advice which is regulated by the FCA, which recently warned of a potential "mis-selling scandal" if online tools are used to direct people towards unsuitable products.[28]

Impartial

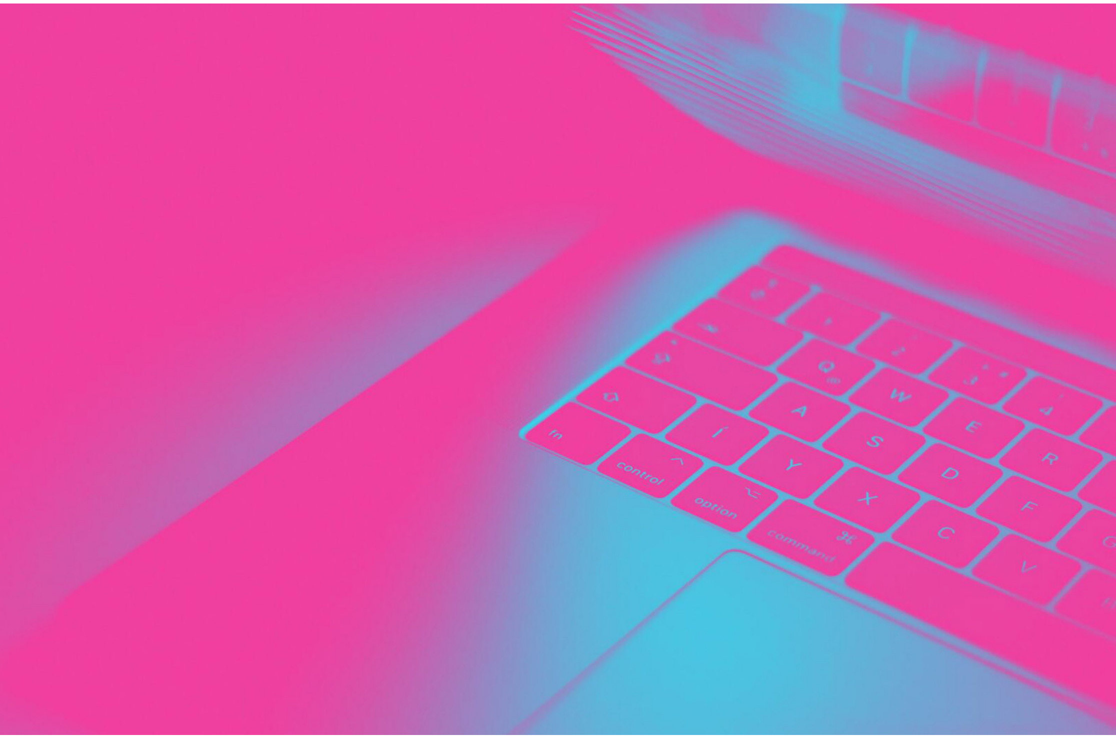
Many of the millennials we spoke to cited demand for impartial sources which are independently verified by government or charities. While financial providers have a role to signpost their younger customers to independent sources of advice and guidance, they also have a responsibility to be transparent about how they communicate information about their products and services, and allow millennials to weigh up this information. Only 34% of all adults who have used PCWs are aware that the deals which appear first may be because companies have paid for these listings, indicating a worrying level of digital literacy which clearly affects consumer choices and healthy market competition.[30]

Peer-verified

The ways in which millennials trust peer support and advice from family members is not necessarily in conflict with the communications and advice priorities from financial providers. There are already examples of bank marketing campaigns – as well as campaigns from charities such as Relate - which encourage more informal conversations amongst peers and family members about money matters. Furthermore emerging online platforms are helping peer support and 'user generated content' which is quality-assured by finance professionals.

As principles, these may not be markedly different to the needs and preferences of other generations, but they play out in practice differently. The specific needs and life transitions encompassed within the millennial cohort reveal important opportunities for tailored messages and intervention points at which financial providers and organisations who specialise in adult financial education can help build financial capability and confidence.

As young adults undergo key life transitions, their choices will undoubtedly be linked to the ways in which they access and compare information on products and services, who they trust to make product recommendations, and how they use this knowledge to make decisions, and ultimately which financial companies they trust – and who they choose to bank with. Enabling active money management decisions based on sound knowledge is a responsibility for financial providers to their current and potential customers, and it can also be a key value add and a way to build brand loyalty amongst a generation who recognises the importance of information and knowledge as crucial to being financially resilient and confident in the future.



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Millennials and Money

About

The **Millennials and Money** project seeks to understand millennial money habits, behaviours and what younger generations need to become more financially resilient. Through extensive literature reviews, polling of 2000 adults, online focus groups and qualitative interviews, the project examines what millennials want and need from personal banking products, financial providers, and the wider market in order to manage their money and make informed financial decisions, and how these attitudes differ from other generations.
Further details at: www.covi.org.uk/millennials-money

Banking in the age of fake news is the third in a series of trends papers which investigate social and economic contextual factors that are influencing millennials' engagement with the financial system. It provides a snapshot analysis of how the 'information crisis', seen through the rise of fake news, misinformation and information overload, has affected the ways in which millennials consider financial information and act on these considerations

We invite policymakers and sector leaders to join the conversation around the views, needs and preferences of younger customers and citizens, and consider what the financial sector needs to do to contribute towards a positive financial future for the millennial generation.

Common Vision

Common Vision (CoVi) is a think tank working to change the narrative around our shared future. We use the power of positive ideas to detoxify angry, binary debates and unite people around long-term intergenerational goals. We aim to revitalise public diplomacy by championing deliberative dialogue and encouraging established and new leaders to work together to turn collective social challenges into opportunities. Millennial Labs is our programme of research, consultation and leadership development initiatives designed to engage and inform millennials and build bridges with other generations.

millennialsandmoney@covi.org.uk

CASS

The Current Account Switch Service (CASS) is the UK's sole designated current account switch service. CASS is working with Common Vision to seek to understand how younger people navigate an increasingly complex market and what they identify as the key components of a convenient, useful and reliable banking product. This research will help CASS to ensure it continues to deliver successfully in the future.

cass@wearepay.uk

covi
['com-mon vis'ion]

CURRENT ACCOUNT SWITCH GUARANTEE