

## **FSCS Podcast – Episode 16: How do we make numbers more accessible?**

Caroline Rainbird 00:02 (jingle)

Welcome to protect your money with FSCS the podcast from the Financial Services compensation scheme. I'm Caroline Rainbird, FSCS chief executive, and in this series the fantastic FSCS team will help you understand how we can help to protect your money, so you can feel confident that your money is safe. Hope you enjoy the podcast!

Jess Spiers 00:28

Welcome to the FSCS podcast. I'm your host Jess Spiers, and I'm Senior Content Manager at FSCS. So FSCS, which is the Financial Services Compensation Scheme, exists to protect customers of authorised financial services firms that have gone bust by paying eligible people compensation. Now we protect lots of financial products but not all of them. So, we've designed this podcast series to help you understand our protection and why it's so important.

In today's episode, we're talking all about financial comprehension and understanding especially in relation to numbers, which is an area in which a lot of consumers struggle. So, to talk through this topic today we've got one of my colleagues with us, a regular on the podcast Nigel Yeates and we also have Mike Ellicock who is the co-founder and chief executive of a fantastic organisation called Plain Numbers. Welcome to both of you.

Mike Ellicock 01:20

Thanks Jess. Looking forward to it.

Nigel Yeates 01:21

Thanks, Jess. Good to be back and excited for today's discussion.

Jess Spiers 01:25

Me too. So, before we kick off just a really quick teaser of the question, we're going to be asking Mike at the end of the episode: FSCS are all about keeping your money safe, but what was the toy that got you breaking open your piggy bank as a child? Okay, let's get started. So, Mike, perhaps you could kick us off with an introduction to you and of Plain Numbers as an organisation?

Mike Ellicock 01:54

Yeah, thanks, Jess. Yeah, so I'm Mike. I'm Chief Exec and co-founder of Plain Numbers, we're a relatively new organisation. And the backstory really probably starts with National Numeracy, which is an independent charity I set up back in 2012. So, there weren't any charities out there

that were focused on numbers in a way that something like the National Literacy trust, or the Book Trust or Reading Agency was focused on words and supporting adults and children on that side.

So yeah, set up a charity back in 2012. And ran that until June 2020. And Plain Numbers can be seen as kind of like a spin out from National Numeracy, but we're attacking the same problem. Lots of people struggling with numbers, but from the other angles. So, we help organisations to communicate numbers and data in a way that more people are going to understand.

Jess Spiers 02:42

Thank you. It's quite a big challenge you're working with there, isn't it?

Mike Ellicock 02:46

Yeah, it's chunky. And the headline number, I guess, for listeners to take away is that half of adults are at primary school levels, in terms of their number understanding. And that's, and that's in terms of everyday maths. So, it's not algebra or trigonometry, or geometry, or calculus or anything like that is just using numbers in daily life.

About half of adults are at the level we expect to have a primary school child. So yeah, it's a bit it's a big issue and something that is coming evermore to the fore when we think about consumer vulnerabilities. And particularly with the FCA, the Financial Conduct Authority's new regulations around consumer duty.

Nigel Yeates 03:22

Thanks, Mike. And just to say from the FSCS side, we are one of the organisations as you know, working with Plain Numbers. As an organisation we always try and make everything as simple and clear as we possibly can. We've worked with the Plain English campaign in our website has their crystal mark, for clear content. So, it's great that we've now got an equivalent organisation for numeracy to work with.

Mike Ellicock 03:45

Yeah, and there's some real parallels there. Actually, the National Numeracy didn't exist. So, we set it up and Plain Numbers, we're quite a few years after, I won't do the maths, but it's 1978 was when the Plain English campaign was set up. And they launched their crystal mark in 1991. So yeah, we've got a lot of catching up to do on the number side. It's great that FSCS and, and other leading organisations are partnering with us but yeah, we're in the foothills in terms of communicating numbers and data more clearly for customers.

Nigel Yeates 04:16

Absolutely and more broadly, understanding basic finance has never been more important than at the present time. From the economic fallout of the pandemic to the current cost-of-living crisis, for some mounting costs will force difficult choices and a lack of access to impartial information, or lack of understanding can make things worse. On the other side, financial literacy and comprehension can increase social mobility and improve financial decision making.

When I reference social mobility and talking in relation to the link between a person's occupation or income, and the occupation or income of their parents. Unfortunately, not everyone starts from the same start line in life. But with suitable opportunities, better life outcomes are possible. And if people are clear on what they're getting into when choosing a financial product, they're more likely to choose something suitable, which will reduce levels of consumer harm and ultimately mean less claims for FSCS to process.

Jess Spiers 05:07

Yeah, absolutely, Nigel. And, Mike, I know you're obviously really passionate about this. Could you give us a little bit more context on why this is such an important area?

Mike Ellicock 05:15

Yeah, sure. Jess. So, the headline, as I said, was, you know, half of adults at primary school levels and from, from what we've learnt, at National Numeracy over the years about supporting those kinds of people, we were pretty confident there were relatively simple things that organisations could do to communicate numbers and data in a clearer way.

And there are three kind of main areas which we focus on. The first is the numbers themselves. So, there's some, a lot of academic research and practical experience to show that you can present numbers themselves in a better way. And then the second bits about numbers in context. So that is this interplay between words and numbers. But also, often the idea that you're trying to get across, particularly in financial services is a mathematical or numerical idea. So, we need to think about that.

And we also need to think about avoiding all these TLA's, three letter abbreviations that we have in each of these different sectors that customers are not very familiar with. And then the third element is about behavioural science. So how can we apply what we know about how humans make decisions in the real world, to help them to make decisions that are in their best medium to

long term interests. So that's the kind of what we do with the approach. And rather than just kind of take our word for it, we felt that it would be important to do some trials to test this approach.

And so, we worked with five firms in the start of 2021, the Bank of England supported it, and the five firms were Octopus Energy, Clear Score, Thames Water, Direct Line Insurance, and Atlanta Insurance. And we used some form of communication that they had out to customers and then we applied a Plain Numbers approach to it. So, 500 people then saw their version and 500 people saw ours. And they were asked five questions, comprehension questions, to see whether they understood the information on that. And what we found, was quite a remarkable improvement for the Plain Numbers version. And on average, it saw the number of people that were able to get four or five questions, right, which we felt was a kind of a decent threshold of understanding, doubles, for the Plain Numbers version.

So, and the kind of questions just to give you a steer on that, they weren't trick questions. The first question for the Thames Water water bill was, how much water did you use? And the second question was, how much did that cost? So, it's those kinds of questions. And we found really low levels of understanding for the original and that, but then we saw that double for the Plain Numbers version. So, we knew that we were onto something, we had something that was beneficial for organisations and for their consumers. And since then, we've been working with a growing number of organisations, including now FSCS, to present numbers and data in a way that more people will understand.

Nigel Yeates 07:57

Fantastic, yes, a great background and having been through your training recently it's really got us thinking as an organisation about how we can improve our communications. And it definitely ties in with that point that you mentioned there in terms of the understanding piece, sort of perceived versus actual understanding. Can you give us a bit more background, a bit more explanation about the differences between perceived and actual understanding?

Mike Ellicock 08:22

Yeah, sure. Nigel, that's a really big point. That's a big point for any, you know, organisations that are listening on the call that do things like focus groups for customers, which is, that's really important data that you get back from that in terms of what customers think or feel about your communication. But that's really testing perception, rather than actual understanding. And so, we were very keen to do the latter. But before we asked those five questions, we asked the question of those 500 people seeing the original and 500 people seeing our one, is this thing you're looking

at clear, fair and easy to understand? And we asked people to either strongly agree, agree, neutral, or, or disagree.

And what we found was that 7 out of 10 people, pretty much on average, both for the original and for the Plain Numbers version said, yes, yes, I strongly agree or agree that this is clear, fair and easy to understand. For the original, then there was a very big gap between that perception, roughly 7 out of 10 saying yes, I understand it, and, and then the reality, which was more like 2 or 3 out of 10 being able to get questions right? On the Plain Numbers version, it was 7 out of 10. Again, saying yes, I understand it. But then it was more like 5 or 6 out of 10, who actually were able to understand it.

So, there's this big gap between perception and reality. For people interested in behavioural science, that won't be unusual. You think about, and there's some interesting gender dynamics and stuff like this, particularly young men overestimating their performance in all kinds of different things. But yeah, it's definitely a characteristic that we generally overestimate how good we are at something, and we felt that it was good to get that, to evidence this this quite big gap that there was for the original. And then we found that that gap was closed for the Plain Numbers version.

Jess Spiers 10:10

Oh, that must be really encouraging to see like a concrete example of your work benefiting people.

Mike Ellicock 10:15

We were pretty confident that it would work. And that's why we, you know, put some money behind it and did a trial. But, but yeah, and it was an independent trial, it was carried out by Kantar Public. But yeah, we even, you know, we were surprised by the extent to which the kind of amalgamation of quite small changes actually made a really big difference.

Jess Spiers 10:35

Yeah, that's really interesting. So, Mike, what do you think consumers could do to avoid misunderstanding things?

Mike Ellicock 10:41

So, the number one thing is to kind of slow down a bit, you know, however you feel about numbers, we're all bombarded with information all the time. And it's very difficult to kind of make head or tail of things. So, yeah, I'd slow down, I'd open things that did come through your door.

And you know, don't bury your head in the sand if you're, you know, you feel like you're potentially in trouble. But also, if people want to improve, they want to kind of get more confident with numbers or improve their numbers of skills, there is something from National Numeracy, the charity that I mentioned, called the National Numeracy challenge. And that's free for anyone to go on, check where they're at now, both in terms of how they feel about numbers, but also kind of where they are in terms of areas that they struggle with or are better at, and then there's a load of free help for them on there.

So do have a look at the National Numeracy challenge, if you want to improve. And then the work that we're doing now we Plain Numbers with FSCS, and other organisations is to help organisations kind of lower the level of, the threshold level of understanding, I guess, to be able to make informed choices with information that you're provided with. But that would be my recommendation, I think, for customers themselves.

Nigel Yeates 11:52

Absolutely. And from an FSCS point of view, obviously, for all of our customers, we'll definitely try and support them in every way we can. And that's whether that's a claims handler, calling them to discuss a claim or whether it's them contacting the Contact Centre. Another great kind of practical concept that we talked through on the course, on the training that I went through, was the idea of sort of fast maths versus slow maths. And let's just do a little test on Jess here. There's a great example we covered off in the course and I'll try it on her now and see where we get to. So, if a bat and a ball set cost £1.10, Jess, and the bat costs £1 more than the ball, how much does the ball cost?

Jess Spiers 12:37

Okay, so the bat and ball set are £1.10. The bat costs £1 more than the ball. Do you know what I want to say 10p? But I feel like that's gonna be wrong, but that's my answer, 10p. That's what I'd say.

Nigel Yeates 12:48

Mike, do you want to explain it a bit more?

Mike Ellicock 12:50

Absolutely, Nigel. Yeah. So, I think you have to be very strange, and not really human, I would argue to not have 10p screaming out in your head as being the right answer.

Jess Spiers 13:00

Thanks, Mike. That's reassuring.

Mike Ellicock 13:02

Yeah, so 10p is the answer that screams out in everyone's head. But the reason why you might say it's a trick question is because if you then plug that back in, so the bat and the ball together cost £1 and 10p, and you've just said, the ball cost 10p then, and the bat's £1 more than the ball then the bat has got to cost £1 and 10p. And together, they that adds up to £1 and 20p, so it doesn't really work. And so, then you can either plug some other numbers in or you can, if you're really keen, you could do algebra, but as you roll through it, you can work out that it must be 5p and then the bat cost £1 more than that.

So £1 and 5p and together, they cost £1 and 10p but the reason for asking that question and giving that example and for all of us 10p screams out in your head as the answer it just so happens to be wrong, is that it is an example of what a Nobel Laureate psychologist called Daniel Kahneman, one of the leading lights in behavioural economics, he called thinking fast and thinking slow or system one thinking and system two thinking. And we all think we make decisions with what he calls system two, which is a kind of our rational, deeper level of thoughts. And we sit down, and we have a cup of coffee, and we read through the letter very carefully, and we may be open a spreadsheet and we start to plug in the numbers. The reality is that nearly none of us do that for almost all of our decisions, and we and we couldn't because our heads will just explode.

So, the system one is that kind of the system you're using when you're deciding to cross the road or to do almost anything in life, it's probably 80% of our thought is, is quite fast. And it's very much dependent upon pattern of you know, what we've learned in situations before. And the bat and the ball question just kind of highlights an example where system one doesn't work for us very well. Normally, nearly all the other, in most cases, it does work very well. And there's an example of the other thing that I'd be interested to get, we'll see whether you can come up with as quick and answer Jess on this is that so the example that Kahneman also gives, he says, and I'm not going to ask you for an answer, because and I'll tell the listeners the answer so that they don't spend time trying to work it out either.

But Kahneman says, you know, if you're walking down the street with someone, and you ask them, what  $17 \times 24$  is, they'll probably stop walking. So, say, walking is a kind of system one activity, you don't really need to think about it too much. But if you're asked something like  $17 \times 24$ , there isn't an immediate answer that screaming out like 10p or whatever. And the, the actual answer is 408. But it takes quite a lot of working out to do that. Or you can just get your calculator out or call into your voice activated thing and get the answer. But that's an example of system two and that's this

much slower, deeper level of thought. And what we talk about quite a lot on the training is, is that almost everything that's written by organisations assumes that people engage with that deep level of thoughts.

But in reality, we don't, we've got so many things going on, we want to be able to and need to be able to absorb some information from a communication just quite quickly, you know, so we think about 3 seconds, 30 seconds, then 300 seconds, which is five minutes of definitely drifting into the system two thing, and then even 3000 seconds, you know, if you're looking at something like, you know, taking out a mortgage, you probably would spend, you know, 3000 seconds, 50 minutes really reading through stuff, because it's very important. But yeah, so we think about this 3 seconds and 30 seconds, and probably add that in for people compared to, you know, where they, where they normally think about communications being understood.

Nigel Yeates 16:43

It's really interesting that, this fast and slow maths. I did test that example on my family as well, the day after I'd done the training course. And they all said 10p straight away, my wife did claim that was because she just got off a night shift and was a bit tired. But ultimately, everyone had to think about it a bit longer. And you know, my daughters kind of talked about it, and then they did work out what the actual answer was. So, but it does take a bit of thinking about and a bit of working through. So, it's a great example.

Jess Spiers 17:11

It is, and I'm glad it wasn't just me, to be honest.

Mike Ellicock 17:13

Where the original research was conducted was in Ivy League universities in the States. So, these are all the cleverest kids in the States. And something like 70, or 80% of them just gave the answer 10 cents and got on with their lives. You know, and these are the super intelligent, you know, kids in the States. So, it is completely normal, especially when there's no stakes, nothing serious involved, just to go yeah, 10p and move on. But yeah, it's actually 5p.

Jess Spiers 17:41

Good, not just me. Glad to hear that. Mike, what do you think needs to change to support consumers, then?

Mike Ellicock 17:49



Well, I think the things that are fascinating from our research is that there's just so much opportunity when you, when you kind of take a step back and put yourself in the customer's shoes and have this knowledge that look half of adults are at primary school levels, in terms of their number understanding, and apply, you know, our approach, there are a lot of easy wins.

And I think the thing that was fascinating for us from the research and now what we're doing in terms of working with the organisation's is that those 5 firms that I mentioned at the start, Clear Score, Octopus Energy, Thames Water, Direct Line Insurance, Atlanta Insurance, they're all really good at this stuff already. And they were sufficiently interested in getting better that they were prepared to pay and engage in a trial. There are a lot of organisations and some of them feature in our in our training, and I'm particularly thinking actually about Council Tax bill, which is something that we work through in the training, you know, where public sector communication with individuals, and we think about the Department for Work and Pensions and the communication of Universal Credit, the communication of pensions information, generally, there are lots and lots of opportunities to improve, you know, from a much lower base that then then we saw in the trial.

So, so we're really excited about this. And it's great to be working with FSCS and the other kind of first cohort, first wave of organisations who are starting to implement this.

Nigel Yeates 19:19

Yeah, that's really interesting. And the, the opportunity to improve point is, is really good. We also talked on the course about the kind of curse of knowledge from a company's point of view. Could you clarify that a bit more as well? Explain to the listeners.

Mike Ellicock 19:36

Yes, sure. So that's curse of knowledge is a phrase from a guy called Steven Pinker, who's a thinker over in the US. It's one of those things that until you kind of take a step back and think about it, it's difficult to recognise and he describes the curse of knowledge as how difficult it is for all of us, all humans, to remember what it's like to not know something that we now do know. And so, we found in the trials where we worked with those 5 firms across 4 different markets that, that we were, you know, reasonably numerate and, you know, reasonably well educated, but found it very difficult in the early conversations because people were using TLAs, three letter abbreviations, that we didn't know.

And they were talking about, you know, things that are just so obvious to them because they're just part of their daily working life but weren't at all obvious to us coming from the outside and

also aren't at all obvious to customers. And, and yet, they're rolled out as though they're, they're very familiar terms. And so that's this curse of knowledge point, it comes into the second principle about the numbers in context, is something that I think most participants on the course have found really interesting to be able to take a step back and also, we have our trainee practitioners from different organisations on the Plain Numbers training, we find that very useful, because then they don't have the curse of knowledge from those other industries, they are probably consumers or, or could potentially be of, of other firms' services, and so that getting that broader perspective doesn't just come from us at Plain Numbers, it comes from the other participants on the course.

Jess Spiers 21:17

Yeah, that's right. And I know that we have so many acronyms at FSCS, internal jargon, and we try to avoid it like the plague. But I guess inevitably things slip through, but that's why we're working with organisations such as yourself to break things down, and just not assume that knowledge.

Mike Ellicock 21:34

Yeah, I mean, it's difficult for you as well, because given your name to kick off with, you know, is a 4-letter abbreviation. But, but yeah, I think there's, I think I mentioned earlier on that, I actually saw an advert for FSCS. I think, you know, getting that out there, getting awareness that there are products that, you know, you protect or come under your umbrella, but they're also very importantly, others that aren't, you know, is a really important part of your job and getting that really clearly out there without, you know, without any of these other funny abbreviations.

Jess Spiers 22:11

That's exactly right, Mike. And that's a big part of what we do and why we do this podcast, really. And I guess you just don't know what you don't know, at the end of the day.

Nigel Yeates 22:19

Yeah, absolutely. Just thinking about the acronyms and even in our team recently, we've had a new apprentice join into the Communications Team and amongst the team, already existing, we talk about things, we use certain acronyms. And it's almost retraining yourself to simplify and explain everything, so that everyone in the team can understand who aren't used to those phrases. So, it's a really interesting point.

Another great example of this was from some recent work I was doing, following an insurance company failure. And we were doing a range of communications around sending out a large volume of Return of Premium checks. And that means we're basically giving customers back the part of their insurance policy that they'd pay for not been able to use when the firm had failed.

And as part of that, we provided additional information to explain about paying their checks in via their mobile banking apps, which is much more convenient for many people. And I had to make sure I didn't assume that everyone did this routinely, you know, having done it a few times myself.

And that kind of curse of knowledge was really highlighted recently, when I had dinner with a friend, you know, a fairly senior exec, CEO of a small business. We were catching up on family matters and you know, she was talking about her annoying having to drive 30 minutes to cash a check at the bank for some birthday money that her daughter had been sent. I then mentioned, you know, paying checks in via mobile banking app, and she had no idea that could be done. So, it just goes to show that as you said earlier, you really only know what you know.

Jess Spiers 23:53

Exactly right, Nigel. So, we started this episode by talking about the scale of the numeracy challenge in the UK. And I really hope this discussion today has been useful and everyone takes a little bit more time, the slow maths approach to their financial understanding. I definitely will be after this.

So, we have a number of explainers and handy protection checkers on our website. That's [www.fscs.org.uk](http://www.fscs.org.uk) So those are well worth having a look at as well. So, Mike, one final question for you. So FSCS were all about keeping your money safe, but what toy would have got you breaking open your piggy bank when you were a child?

Mike Ellicock 24:39

Oh, I think for me, I was fortunate enough to live abroad when I was a kid in Australia and then in Malaysia and then back in Australia. So, I think it was probably when I kind of started saving was about the same time I got into surfing, and I had one of those little foam belly board things and I was desperate to get a proper fibreglass surfboard and then I think I did have some of my savings that went into it. But it was also very much supported by my parents, but I can remember, I can remember the look of that board. I wish I still had it, but I've got, I've still got a board that I bought when I was 17. But yeah, it was definitely a surfboard.

Jess Spiers 25:16

That might be the coolest answer we've ever had, Mike, so thank you for that.

Mike Ellicock 25:19

Well, you know, I do try.

Jess Spiers 25:22

Great. Thank you so much, Mike and Nigel. And we hope everyone listening has enjoyed the podcast so you can find all of our podcasts on our website. Just one more time, that's [www.fscs.org.uk](http://www.fscs.org.uk) and the usual places you find your other podcasts. Please do follow us wherever you listen to podcasts, so you never miss a new episode. Thank you for listening.