

Children to get lessons in Money and Debt

News Story

Teenagers will be given formal lessons in how to manage their debts, under sweeping changes to the curriculum to be announced this week.

A new subject called "economic wellbeing and financial capability" will be introduced to the curriculum for all 11 to 16-year-olds to help youngsters to prepare for financial pressures after leaving school.

Anxiety is mounting that a generation is in danger of moving straight from their studies into long-term debt. Higher interest rates have caused misery for millions of households that are struggling to pay mortgages and credit card bills, and mortgage repossessions have gone up by 10 per cent.

Consumer debt stood at £1.25 trillion at the end of last year and the number of personal insolvencies climbed to a record 30,075 in the first quarter of this year. Mortgage repossessions stood at 33,715 in the first quarter, up more than 10 per cent on the previous quarter.

The generation of children currently in school, however, faces the prospect of even more years in debt than their parents, even before they get on to the housing ladder. Ministers are under intense pressure to remove the £3,000 cap on university tuition fees and to charge graduates commercial interest rates on their student loans.

The new subject will be taught either in separate lessons or as part of other subjects, such as maths or ICT, under the reforms, which are part of an overhaul of the Key Stage 3 curriculum for pupils aged 11 to 14. Ed Balls, the Children, Schools and Families Secretary, said that children had to be prepared to manage their money and careers in a competitive and fast-moving environment. "Money plays a crucial part in all our lives," he said yesterday. "I want teenagers to start learning early how to make the most of their money and savings once they start work.

"Schools have a vital role to play in encouraging young people to aim high and to improve their chances of a successful career, understand about taking risks and develop a dynamic 'can do' attitude. They need to understand everyday issues, like opening a bank account, buying a house and saving for their retirement as early as possible, developing a sense of responsibility as citizens."

Personal debt is becoming an increasingly political issue. A policy group led by Iain Duncan Smith, the former Conservative leader, published proposals last week to restrict credit. He called for banks to face mandatory regulation, particularly over the amounts of interest they charge on credit cards.

The reforms will be published on Thursday by the Qualifications and Curriculum Authority. Ministers say that the new curriculum will give teachers more scope to introduce topical issues. Opposition parties said that it was a pity that children needed to be prepared about the years of debt ahead of them. "There is a certain irony that, after presiding over changes to student finance, tax rises and a massive increase in housing costs, the Government is now lecturing the next generation on how to handle debts which ministers have saddled them with," Michael Gove, the Shadow Schools Secretary, said.

"The best thing the Government can do to help young people prepare for the financial challenges of adult life is to get basic numeracy right and, as Gordon Brown admitted in his Mansion House speech last month, it has failed to equip children with the mathematical skills they need."

David Laws, the Liberal Democrat education spokesman, said: "This generation of young people is certainly going to need financial education to cope with the huge debts from a combination of high tuition fees and skyrocketing house prices. Young people will also need to cope with one of the most complex pensions systems in the world, which they will find themselves automatically enrolled into not long after they start work."

According to the Government's research in the Leitch report on skills, about five million British people are considered functionally innumerate and 17 million can scarcely work out their change in a shop.

The new lessons will cover career progression and the skills wanted by employers; what it means to be enterprising; taking risks and learning from mistakes; managing money and personal finances; and the economy.